

MONTANA LEGISLATIVE HISTORY

Chapter 287 19 97

Bill H 170 S _____

Original bill & history ☒ c

H. Committee on State Admin

Hearing Date(s) h 2/04 _____ c

v 3/07 _____ c

t 2/19 _____ c

_____ c

Date Out _____ c

S. Committee on State Admin

Hearing Date(s) h 3/18 _____ c

v 3/25 _____ c

_____ c

_____ c

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____

Report _____

LEGISLATIVE HISTORIES SINCE 1997

The scope and depth of legislative committee minutes varies by year and by committee. If you would like additional information about a hearing, you may want to determine whether the hearing was recorded. In addition, some recent floor debates were also recorded. For information on accessing or purchasing these recordings, contact the Historical Society Archives at 406-444-4774.

If you have concerns regarding the format of the enclosed committee minutes or the recordings of the hearings, it is suggested that you contact your state legislators.

HB 169 INTRODUCED BY ZOOK, ET AL. LC0063 DRAFTER: PETESCH

REVISE AND CLARIFY THE LAWS GOVERNING APPROPRIATIONS AND THE
ADMINISTRATION OF STATE GOVERNMENT FINANCES

BY REQUEST OF LEGISLATIVE FINANCE COMMITTEE

1/02	INTRODUCED		
1/03	FISCAL NOTE REQUESTED		
1/06	FIRST READING		
1/06	REFERRED TO APPROPRIATIONS		
1/13	FISCAL NOTE RECEIVED		
1/13	FISCAL NOTE PRINTED		
1/30	HEARING		
3/25	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/26	2ND READING PASSED	82	15
3/27	3RD READING PASSED	67	33
	TRANSMITTED TO SENATE		
3/28	FIRST READING		
3/28	REFERRED TO FINANCE & CLAIMS		
4/10	HEARING		
4/12	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/14	2ND READING CONCURRED AS AMENDED	33	17
4/14	SEGREGATED FROM COMMITTEE OF WHOLE REPORT	28	22
4/14	ON MOTION RULES SUSPENDED TO PERMIT 3RD READING ON 4/15	50	0
4/15	2ND READING CONCURRED AS AMENDED	50	0
4/15	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/19	2ND READING AMENDMENTS CONCURRED	88	9
4/19	3RD READING CONCURRED AS AMENDED	84	13
4/24	SIGNED BY SPEAKER		
4/24	SIGNED BY PRESIDENT		
4/25	TRANSMITTED TO GOVERNOR		
5/05	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 532		
	EFFECTIVE DATE: 05/05/97—SECTIONS 40(2) & 41		
	EFFECTIVE DATE: 07/01/97—SECTIONS 1-39 & 40(1)		

HB 170 INTRODUCED BY AHNER LC0554 DRAFTER: HEFFELFINGER

ESTABLISH A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR
CERTAIN BENEFIT RECIPIENTS IN THE STATEWIDE PUBLIC EMPLOYEE
RETIREMENT SYSTEMS UNDER THE PUBLIC EMPLOYEES' RETIREMENT
BOARD

BY REQUEST OF PUBLIC EMPLOYEES' RETIRMENT BOARD

1/02	INTRODUCED		
1/03	FISCAL NOTE REQUESTED		
1/06	FIRST READING		
1/06	REFERRED TO STATE ADMINISTRATION		
1/15	FISCAL NOTE RECEIVED		
1/16	FISCAL NOTE PRINTED		
1/22	FISCAL NOTE PRINTED		
2/04	HEARING		
2/19	TABLED IN COMMITTEE		
3/08	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/11	2ND READING PASSED	82	15
3/12	3RD READING PASSED	85	13
	TRANSMITTED TO SENATE		
3/13	FIRST READING		
3/13	REFERRED TO STATE ADMINISTRATION		

3/18	HEARING		
3/27	COMMITTEE REPORT—BILL CONCURRED		
4/04	2ND READING CONCURRED	50	0
4/05	3RD READING CONCURRED	49	1
	RETURNED TO HOUSE		
4/09	SIGNED BY SPEAKER		
4/11	SIGNED BY PRESIDENT		
4/14	TRANSMITTED TO GOVERNOR		
4/17	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 287		
	EFFECTIVE DATE: 07/01/97		

HB 171 INTRODUCED BY RANEY *LC0257 DRAFTER: PETESCH*

REVISE AND CLARIFY THE ALLOCATION OF RESOURCE INDEMNITY AND
GROUND WATER ASSESSMENT TAXES

BY REQUEST OF LEGISLATIVE FINANCE COMMITTEE

1/02	INTRODUCED		
1/03	FISCAL NOTE REQUESTED		
1/06	FIRST READING		
1/06	REFERRED TO TAXATION		
1/15	HEARING		
1/15	FISCAL NOTE RECEIVED		
1/15	FISCAL NOTE PRINTED		
1/24	COMMITTEE REPORT—BILL PASSED AS AMENDED		
1/27	2ND READING PASSED	92	4
1/28	3RD READING PASSED	92	7
1/28	FISCAL NOTE RECEIVED		
	TRANSMITTED TO SENATE		
1/29	FIRST READING		
1/29	REFERRED TO TAXATION		
2/03	FISCAL NOTE PRINTED		
2/07	HEARING		
2/07	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/03	REFERRED TO FINANCE & CLAIMS		
3/07	HEARING		
3/14	HEARING		
4/09	COMMITTEE REPORT—BILL CONCURRED		
4/10	2ND READING CONCURRED	50	0
4/11	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/19	SIGNED BY SPEAKER		
4/24	SIGNED BY PRESIDENT		
4/25	TRANSMITTED TO GOVERNOR		
4/30	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 444		
	EFFECTIVE DATE: 07/01/97		

HB 172 INTRODUCED BY SOFT *LC0282 DRAFTER: HEFFELFINGER*

REVISE DEFINITIONS RELATED TO PERMANENT, TEMPORARY, AND
SEASONAL POSITIONS

BY REQUEST OF DEPARTMENT OF ADMINISTRATION

1/02	INTRODUCED
1/03	FISCAL NOTE REQUESTED
1/06	FIRST READING
1/06	REFERRED TO BUSINESS & LABOR
1/10	FISCAL NOTE RECEIVED
1/11	FISCAL NOTE PRINTED

HOUSE BILL NO. 170

INTRODUCED BY AHNER

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR CERTAIN BENEFIT RECIPIENTS IN THE STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEMS UNDER THE PUBLIC EMPLOYEES' RETIREMENT BOARD; MAKING THE ANNUAL ADJUSTMENT AN ALTERNATIVE TO CERTAIN EXISTING BENEFITS; INCREASING CONTRIBUTION RATES AND MODIFYING CERTAIN BENEFITS TO FUND THE ADJUSTMENT; PROVIDING THAT CERTAIN COURT FEES BE CREDITED TO THE GENERAL FUND; REQUIRING THAT MEMBERS OF THE PUBLIC EMPLOYEES' AND HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEMS PAY THE FULL ACTUARIAL COST OF PURCHASING CERTAIN SERVICE; ALLOWING MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM WHO BECAME MEMBERS ON OR AFTER JULY 1, 1989, TO PURCHASE ADDITIONAL SERVICE FOR CALCULATING BENEFITS; REDEFINING THE SALARY USED TO CALCULATE CERTAIN BENEFITS UNDER THE JUDGES' AND FIREFIGHTERS' RETIREMENT SYSTEMS; ADJUSTING CERTAIN DEATH BENEFITS PAID UNDER THE JUDGES' AND GAME WARDENS' RETIREMENT SYSTEMS; REPLACING CURRENT POSTRETIREMENT ADJUSTMENTS AND MINIMUM BENEFITS UNDER EACH RETIREMENT SYSTEM FOR CURRENT MEMBERS WHO ELECT THE ANNUAL ADJUSTMENT AND FOR ALL NEW MEMBERS; AMENDING SECTIONS 3-2-404, 3-2-405, 19-3-315, 19-3-316, 19-3-503, 19-3-512, 19-3-513, 19-5-101, 19-5-404, 19-5-502, 19-5-601, 19-5-802, 19-6-402, 19-6-404, 19-6-707, 19-6-709, 19-6-801, 19-8-502, 19-8-504, 19-8-1002, 19-9-702, 19-9-710, 19-9-1007, 19-13-601, 19-13-604, 19-13-704, 19-13-803, 19-13-902, 19-13-1006, 19-13-1007, 19-13-1009, AND 25-1-201, MCA; REPEALING SECTIONS 19-3-1601, 19-3-1602, 19-3-1603, 19-7-708, 19-7-709, 19-7-710, 19-8-1101, 19-8-1102, AND 19-8-1103, MCA; AND PROVIDING AN EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because [sections 1 through 3] give the public employees' retirement board authority to adopt rules to implement the provisions of the bill.

It is the intent of the legislature to guarantee a minimum level of annual benefit increases for retired members and their contingent annuitants or survivors under each of the statewide public employee

1 retirement systems. The legislature also intends to fund this guaranteed annual benefit adjustment (GABA)
2 in the most cost-effective manner possible.

3 Because the GABA is intended to address the erosion of retirement benefits caused by inflation as
4 cost-effectively as possible, it is the intent of the legislature that the guaranteed annual 1.5% minimum
5 adjustment not begin until after the original benefit has been paid for at least 36 months.

6 Because it is most cost-effective to reduce current unfunded liabilities as well as to avoid future
7 unfunded liabilities and to fund new benefits as they accrue, the bill provides that the GABA be substituted
8 for other benefits in cases in which the GABA is as valuable or more valuable to members. The resulting
9 actuarial savings will reduce the additional funding required for the GABA.

10 In the public employees', sheriffs', and game wardens' retirement systems, all members will
11 automatically be covered by the GABA provided for in this bill instead of the current postretirement
12 adjustments based on investment earnings.

13 In the highway patrol officers', municipal police officers', firefighters' unified, and judges' retirement
14 systems, in which the substitution of the GABA in place of other benefits is not a clear benefit
15 enhancement for all current members, it is the intent of the legislature that the members be provided with
16 a thorough analysis of the benefits to be substituted so that members may individually and irrevocably elect
17 whether to be covered under the provisions of this bill. However, it is not the intent of the legislature that
18 the retirement board or its administrative staff be required to recommend a specific or best choice to
19 individual members.

20 It is the intent of the legislature that all future members of these systems be covered by the GABA
21 in place of certain other benefits.

22

23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

24

25 **NEW SECTION. Section 1. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),
26 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
27 recipient who is eligible under subsection (3) must be increased by 1.5%.

28 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
29 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
30 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total

1 annualized increase of 1.5% in the benefit paid since the preceding January.

2 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
3 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
4 increase, then the benefit increase provided under this section must be 0%.

5 (c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of
6 the original payee that occurred since the preceding January, the new recipient's monthly benefit must be
7 increased to 1.5% more than the amount that the contingent annuitant would have received had the
8 contingent annuitant received a benefit during the preceding January.

9 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the
10 minimum annual benefit adjustment provided for in this section if:

11 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
12 adjustment is to be made; and

13 (b) the benefit recipient is not an active member of a public retirement system covered by this title.

14 (4) The board shall adopt rules to administer the provisions of this section.

15
16 **NEW SECTION. Section 2. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),
17 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
18 recipient who is eligible under subsection (3) must be increased by 1.5%.

19 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
20 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
21 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total
22 annualized increase of 1.5% in the benefit paid since the preceding January.

23 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
24 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
25 increase, then the benefit increase provided under this section must be 0%.

26 (c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of
27 the original payee that occurred since the preceding January, the new recipient's monthly benefit must be
28 increased to 1.5% more than the amount that the contingent annuitant would have received had the
29 contingent annuitant received a benefit during the preceding January.

30 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the

1 minimum annual benefit adjustment provided for in this section if:

2 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
3 adjustment is to be made;

4 (b) the benefit recipient is not an active member of a public retirement system covered by this title;
5 and

6 (c) the member or benefit recipient either:

7 (i) first became an active member on or after [the effective date of this act]; or

8 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed
9 with the board prior to January 1, 1998.

10 (4) The board shall adopt rules to administer the provisions of this section.

11
12 **NEW SECTION. Section 3. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),
13 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
14 recipient who is eligible under subsection (3) must be increased by 1.5%.

15 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
16 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
17 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total
18 annualized increase of 1.5% in the benefit paid since the preceding January.

19 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
20 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
21 increase, then the benefit increase provided under this section must be 0%.

22 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the
23 minimum annual benefit adjustment provided for in this section if:

24 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
25 adjustment is to be made;

26 (b) the benefit recipient is not an active member of a public retirement system covered by this title;
27 and

28 (c) the member either:

29 (i) first became an active member on or after [the effective date of this act]; or

30 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed

1 with the board prior to January 1, 1998, and requires an active member to pay an increased contribution
2 rate from [the effective date of this act] forward. A retired member or the member's survivor who is
3 receiving a monthly benefit before [the effective date of this act] shall also file the voluntary, irrevocable
4 election no later than January 1, 1998, to be covered under this section.

5 (4) The board shall adopt rules to administer the provisions of this section.
6

7 **NEW SECTION. Section 4. State contributions for local government and school district employers.**

8 The state shall contribute monthly from the general fund to the pension trust fund a sum equal to 0.1%
9 of the compensation of members employed by local government entities and school districts on and after
10 [the effective date of this act]. The division shall certify amounts due under this section on a monthly
11 basis, and the state treasurer shall transfer those amounts to the pension trust fund within 1 week.
12

13 **Section 5.** Section 3-2-404, MCA, is amended to read:

14 **"3-2-404. Disposition of fees.** Except as otherwise provided by law, ~~three-fourths of~~ all fees
15 collected by the clerk must be paid into the state treasury and ~~shall~~ must be credited to the general fund,
16 ~~and the remaining one-fourth of the fees shall be paid to the public employees' retirement division of the~~
17 ~~department of administration to be credited to the Montana judges' retirement system account."~~
18

19 **Section 6.** Section 3-2-405, MCA, is amended to read:

20 **"3-2-405. Settlements and accounts to state auditor.** (1) The clerk is responsible and ~~must~~ shall
21 account for and, in ~~his~~ the clerk's settlement with the state auditor, must be charged with the full amount
22 of all fees collected or chargeable and accruing in causes brought into the court for services rendered
23 ~~therein~~ up to the time of each settlement. The settlement must take place quarterly, and immediately
24 ~~thereafter~~ after settlement, the clerk ~~must~~ shall pay the amount found due into the treasury ~~or to the public~~
25 ~~employees' retirement division, as provided in 3-2-404.~~

26 (2) ~~He~~ The clerk ~~must~~ shall ~~also~~ at the end of each quarter render to the state auditor, in ~~such a~~
27 form ~~as~~ that ~~the officer~~ the state auditor prescribes, an account in detail and under oath of all fees chargeable
28 and accruing in causes brought into court and not included in ~~his~~ the clerk's previous accounts.

29 (3) ~~His~~ The clerk's salary may not be allowed or paid until all fees ~~so accruing~~ for which ~~he~~ the
30 clerk is chargeable have been accounted for and paid ~~over~~."

1 **Section 7.** Section 19-3-315, MCA, is amended to read:

2 **"19-3-315. Member's contribution to be deducted.** (1) On and after July 1, ~~1993~~ 1997, the
3 regular contribution of each member is ~~6.70%~~ 6.8% of the member's compensation. Each member's
4 contribution increases to 6.9% beginning July 1, 1999.

5 (2) Payment of salaries or wages less the contribution is full and complete discharge and
6 acquittance of all claims and demands for the service rendered by members during the period covered by
7 the payment, except their claims to the benefits to which they may be entitled under the provisions of this
8 chapter.

9 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
10 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
11 by the member under subsection (1) for service rendered after June 30, 1985.

12 (4) The member's contributions picked up by the employer must be designated for all purposes of
13 the retirement system as the member's contributions, except for the determination of a tax upon a
14 distribution from the retirement system. These contributions must become part of the member's
15 accumulated contributions but must be accounted for separately from those previously accumulated.

16 (5) The member's contributions picked up by the employer must be payable from the same source
17 as is used to pay compensation to the member and must be included in the member's wages, as defined
18 in 19-1-102, and compensation. The employer shall deduct from the member's compensation an amount
19 equal to the amount of the member's contributions picked up by the employer and remit the total of the
20 contributions to the board."

21
22 **Section 8.** Section 19-3-316, MCA, is amended to read:

23 **"19-3-316. Employer contribution rates.** (1) Each employer shall contribute to the cost of benefits
24 under the system. ~~On and after July 1, 1993~~ Except as provided in subsection (2), the amount of the
25 employer contributions is 6.70% of each contribution as a percentage of the employer's covered payroll
26 is 6.8% beginning July 1, 1997, and increases to 6.9% beginning July 1, 1999.

27 (2) Local government and school district employer contributions must be the total employer
28 contribution rate provided in subsection (1) minus the state contribution rate applied to their monthly
29 covered payrolls under [section 4]."

1 **Section 9.** Section 19-3-503, MCA, is amended to read:

2 **"19-3-503. Election to qualify military service.** (1) (a) A Except as provided in subsection (2), a

3 member with 10 years or more of service credits may, at any time prior to retirement, make a written
4 election with the board to purchase service credits for all or any portion of the member's active service in
5 the armed forces of the United States, including the first special service force or the American merchant
6 marine in oceangoing service during the period of armed conflict, December 7, 1941, to August 15, 1945,
7 up to a maximum of 5 years, if the member is not otherwise eligible to receive service credit for this same
8 service pursuant to 19-2-705 or is ineligible under subsection (2)(a).

9 (b) To qualify this service, the member shall contribute to the pension trust fund the ~~amount~~
10 ~~determined by the board to be due based on the member's compensation and regular contribution rate as~~
11 ~~of the member's 11th year and as many succeeding years as are required to qualify this service, with~~
12 ~~regular interest from the date the member becomes eligible for this benefit to the date the member~~
13 ~~contributes. The member may not purchase more of this service credit than the member has service credits~~
14 ~~in excess of 10 years~~ actuarial cost of the service credit based on the most recent actuarial valuation of
15 the system.

16 (2) (a) If a member has retired from active duty in the armed forces of the United States, including
17 the first special service force or the American merchant marine in oceangoing service during the period of
18 armed conflict, December 7, 1941, to August 15, 1945, with a military service retirement benefit, the
19 member may not qualify the member's military service under subsection (1).

20 **(b)** However, a member who is serving or has served in the military reserves with the expectation
21 of receiving a military service pension may qualify the member's active military service under subsection
22 (1) if the member's active duty in the armed forces of the United States, including the first special service
23 force or the American merchant marine in oceangoing service during the armed conflict, December 7, 1941,
24 to August 15, 1945, is not more than 25% of the total sum of all years of military service including reserve
25 and active duty time."

26
27 **Section 10.** Section 19-3-512, MCA, is amended to read:

28 **"19-3-512. Qualification of service from other public retirement systems.** (1) A member with 5
29 or more years of membership service in the public employees' retirement system may qualify:

30 (a) public service employment covered under a public retirement system other than a system

1 provided for in Title 19 for which the member received a refund of the member's membership contribution;
2 and

3 (b) public service employment that occurred before the public employer adopted a public retirement
4 system.

5 (2) A member may not qualify more than 5 years of service under this section. To qualify this
6 service, a member shall:

7 (a) at any time before retirement make a written election with the board to qualify the service; and

8 (b) contribute to the pension trust fund the actuarial cost of granting the service in the public
9 employees' retirement system, as determined by the board, based on:

10 ~~(i) the member's compensation in the sixth year of service covered under the public employees'~~
11 ~~retirement system; and~~

12 ~~(ii)~~ the most recent actuarial valuation of the system.

13 (3) Contributions to qualify service under this section may be made in a lump-sum payment or by
14 making additional contributions in installments as agreed upon by the member and the board.

15 (4) Service qualified under this section may not be:

16 (a) credited in any other retirement system under Title 19; or

17 (b) used to qualify a member to purchase military service under 19-3-503.

18 (5) Service qualified under this section may not be used in calculating a member's retirement
19 benefit unless the member's last 5 years of service credit were earned under the public employees'
20 retirement system. If a member's qualified service may not be used in calculating the member's retirement
21 benefit, the member may choose to receive a refund of the accumulated contributions made to qualify the
22 service."
23

24 **Section 11.** Section 19-3-513, MCA, is amended to read:

25 **"19-3-513. Election to purchase additional service.** (1) At any time before retirement, a person
26 ~~who became a member of the retirement system before July 1, 1989, and~~ who has 5 years or more of
27 membership service may make a written election with the board to purchase additional service credit for
28 the purpose of calculating the member's retirement benefit. Except as provided in subsection (3), the
29 member may purchase 1 year of additional service credit for each 5 years of membership service that the
30 member has qualified under the retirement system, up to a maximum of 5 years of additional service.

(2) For each year of service credit purchased under this section, a member shall contribute to the pension trust fund ~~an amount equal to the member's compensation for the 12-month period immediately preceding the date the member elects to purchase the service multiplied by the combined employee and employer contribution rates contained in 19-3-315 and 19-3-316~~ the actuarial cost of the service credit based on the most recent actuarial valuation of the system. Contributions may be made in a lump-sum payment or by making additional contributions in installments as agreed upon by the member and the board.

(3) (a) Except as provided in subsection (3)(b), ~~after January 1, 1990~~, a member may elect to qualify a combined total of 5 years of service under 19-3-503, 19-3-512, or this section.

(b) A member who has purchased service under 19-3-503 or 19-3-512 on or before January 1, 1990, and who elects to purchase service under this section shall receive credit for the full months of service purchased on or before January 1, 1990.

(4) Service purchased under this section is not membership service and may not be used to qualify a member for service retirement."

Section 12. Section 19-5-101, MCA, is amended to read:

"19-5-101. Definitions. Unless a different meaning is plainly implied by the context, the following definitions apply in this chapter:

(1) "Compensation" means remuneration as defined in 2-16-403, 3-5-211, and 3-7-222 paid to a member.

(2) "Current salary" means the current compensation for the office retired from.

(3) "Final average salary" means the average of the member's highest monthly compensation during any 36 consecutive months of membership service in the retirement system.

(4) "Involuntary retirement" means a retirement not for cause and before retirement age.

~~(4)~~(5) "Retired judge" means any judge or justice in receipt of a retirement benefit under this chapter."

Section 13. Section 19-5-404, MCA, is amended to read:

"19-5-404. Contributions by state. (1) ~~The~~ Except as provided in subsection (2), the state of Montana shall contribute monthly to the pension trust fund a sum equal to ~~6%~~ 25.81% of the compensation of each member. ~~In addition, the clerk of each district court shall transmit 68% of certain~~

1 ~~filing fees as required under 25-1-201(2) and that portion of the fee for filing a petition for dissolution of~~
2 ~~marriage and a motion for substitution of a judge specified in 25-1-201(4) and (6) to the state, which shall~~
3 ~~first deposit in the pension trust fund an amount equal to 34.71% of the total compensation paid to district~~
4 ~~judges and supreme court justices who are covered by the judges' retirement system and then deposit the~~
5 ~~balance in the state general fund. The clerk of the supreme court shall pay one-fourth of the fees collected~~
6 ~~under 3-2-403 to the division to be credited to the pension trust fund.~~

7 (2) The state of Montana shall contribute monthly from the renewable resource grant and loan
8 program account in the state special revenue fund to the judges' pension trust fund an amount equal to
9 ~~34.71%~~ 25.81% of the compensation paid to the chief water court judge."

10
11 **Section 14.** Section 19-5-502, MCA, is amended to read:

12 **"19-5-502. Service retirement benefit.** Upon retirement from service, ~~a member must receive a~~
13 ~~the service retirement benefit equal to~~ must be as follows:

14 (1) for members not covered under [section 2], 3 1/3% per year of the member's current salary
15 for the first 15 years of credited service and 1.785% per year for each year of credited service after 15
16 years; or

17 (2) for members covered under [section 2], the benefit provided under subsection (1) except that
18 the benefit must be calculated using final average salary."

19
20 **Section 15.** Section 19-5-601, MCA, is amended to read:

21 **"19-5-601. Disability retirement benefit.** In case of the disability of a member, a disability
22 retirement benefit must be granted the member in an amount actuarially equivalent to the service retirement
23 benefit standing to the member's credit at the time of the member's disability retirement. If the disability
24 is a direct result of any service to the Montana judiciary in the line of duty, ~~the member must receive a~~
25 ~~benefit equal to~~ member's disability retirement benefit must be no less than:

26 (1) one-half of the member's final current salary or the benefit provided in 19-5-502, whichever
27 is greater for a person not covered under [section 2]; or

28 (2) one-half of the member's final average salary for a person covered under [section 2]."

29
30 **Section 16.** Section 19-5-802, MCA, is amended to read:

1 **"19-5-802. Payments in case of death from other causes.** (1) If a retired member who ~~chose a~~
2 ~~regular~~ is not covered under [section 2] and who did not choose an option 2, 3, or 4 form of retirement
3 benefit payment under 19-5-701 dies before receiving payments equal to the present value of the member's
4 retirement benefit as it was at the time of the member's retirement, the balance must be paid to the
5 member's designated beneficiary in a lump sum. At the designated beneficiary's request, the lump sum may
6 be paid as an actuarially equivalent annuity that will not be subject to increases for any purpose.

7 (2) Upon the death of a retiree who did not choose an option 2, 3, or 4 form of retirement benefit
8 payment under 19-5-701 and who is covered under [section 2], the member's designated beneficiary must
9 be paid the unpaid balance of the retiree's benefit. The benefit must be calculated by subtracting the total
10 benefits paid to the member during the member's lifetime from the member's total amount of contributions
11 and interest on account as that amount was on the day that the member retired.

12 (3) If a member dies before reaching retirement age, the member's designated beneficiary is entitled
13 to a monthly survivorship benefit that is the actuarial equivalent of the involuntary retirement options as
14 provided in 19-5-503."

15
16 **Section 17.** Section 19-6-402, MCA, is amended to read:

17 **"19-6-402. Member's contribution.** (1) ~~Each~~ (a) A member not covered under [section 3] shall
18 contribute into the pension trust fund ~~a sum equal to 9% of the member's monthly compensation, which~~
19 ~~must be deposited to the member's credit in the pension trust fund.~~

20 (b) A member covered under [section 3] shall contribute to the pension trust fund 9.05% of the
21 member's monthly compensation.

22 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
23 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
24 by the member under subsection (1) for service rendered after June 30, 1985.

25 (3) The member's contributions picked up by the employer must be designated for all purposes of
26 the retirement system as the member's contributions, except for the determination of a tax upon a
27 distribution from the retirement system. These contributions must become part of the member's
28 accumulated contributions but must be accounted for separately from those previously accumulated.

29 (4) The member's contributions picked up by the employer must be payable from the same source
30 as is used to pay compensation to the member and must be included in the member's wages as defined

1 in 19-1-102 and compensation as used to define the member's final average salary in 19-6-101. The
2 employer shall deduct from the member's compensation an amount equal to the amount of the member's
3 contributions picked up by the employer and remit the total of the contributions to the board."

4
5 **Section 18.** Section 19-6-404, MCA, is amended to read:

6 **"19-6-404. State's contribution.** The state of Montana shall annually contribute to the pension
7 trust fund an amount equal to ~~36.28%~~ 36.33% of the total compensation paid to the members from the
8 following sources:

9 (1) an amount equal to ~~26.10%~~ 26.15% of the total compensation of the members is payable from
10 the same source that is used to pay compensation to the members; and

11 (2) an amount equal to 10.18% of the total compensation of the members is payable from a portion
12 of the fees from driver's licenses and duplicate driver's licenses as provided in 61-5-121."

13
14 **Section 19.** Section 19-6-707, MCA, is amended to read:

15 **"19-6-707. Minimum monthly benefit.** (1) Subject to the limitations contained in subsection (2),
16 the following retired members, or and their survivors, who are not covered by [section 3] are eligible to
17 receive a monthly benefit of not less than 2% multiplied by the member's service credits multiplied by the
18 current base compensation received by a probationary highway patrol officer:

19 (a) a retired member who is 55 years of age or older, except as provided in subsection (3), or the
20 member's survivor, who is receiving a service retirement benefit;

21 (b) a retired member, or the member's survivor, who is receiving a disability retirement benefit; and

22 (c) a recipient of a survivorship benefit.

23 (2) (a) The maximum monthly benefit paid under subsection (1) may not exceed 60% of the current
24 base compensation of a probationary highway patrol officer.

25 (b) The annual increase in a monthly benefit under subsection (1) may not exceed 5% of the
26 current monthly benefit paid to a retired member or the member's survivor.

27 (3) A retired member otherwise qualified under subsection (1)(a) who is employed in a position
28 covered by a retirement system under Title 19 is ineligible to receive the minimum monthly benefit provided
29 for in this section until the member's service in the covered position is terminated."

1 **Section 20.** Section 19-6-709, MCA, is amended to read:

2 **"19-6-709. (Temporary) Supplemental benefits for certain retirees.** (1) In addition to any retirement
3 benefit payable under this chapter, a retired member or a survivor determined by the board to be eligible
4 under subsection (2) must receive an annual lump-sum benefit payment beginning in September 1991 and
5 each succeeding year as long as the member remains eligible.

6 (2) To be eligible for the benefits under this section, a person must be receiving a monthly benefit
7 before July 1, 1991, may not be covered by [section 3], and must be:

8 (a) a retired member who is 55 years of age or older and who has been receiving a service
9 retirement benefit for at least 5 years prior to the date of distribution;

10 (b) a survivor of a member who would have been eligible under subsection (2)(a); or

11 (c) a recipient of a disability or survivorship benefit under 19-6-601 or 19-6-901.

12 (3) A retired member otherwise qualified under this section who is employed in a position covered
13 by a retirement system under Title 19 is ineligible to receive any lump-sum benefit payments provided for
14 in this section until the member's service in the covered position is terminated. Upon termination of the
15 member's covered service, the retired member becomes eligible in the next fiscal year succeeding the
16 member's termination.

17 (4) (a) Twenty-five cents of each motor vehicle registration fee provided for in 61-3-321 must be
18 deposited in the pension trust fund at the end of each fiscal year. The fee is statutorily appropriated, as
19 provided in 17-7-502, for payment of benefits to eligible recipients. The total funds must be distributed by
20 the division in lump-sum payments to eligible recipients along with their normal retirement benefit payment.

21 (b) The lump-sum payment must be distributed proportionally to all eligible recipients based on
22 service credit at the time of retirement, subject to the following:

23 (i) a recipient under subsection (2)(c) is considered to have 20 years of service for the purposes
24 of the distributions;

25 (ii) any recipient of a service retirement benefit exceeding the maximum monthly benefit under
26 19-6-707(2)(a) must have the recipient's service credit reduced 25% for the purposes of the distributions;

27 (iii) the maximum annual increase in the amount of supplemental benefits paid to each individual
28 under this section ~~after August 31, 1993,~~ is the percentage increase for the previous calendar year in the
29 annual average consumer price index for urban wage earners and workers, compiled by the bureau of labor
30 statistics of the United States department of labor or its successor agency.

(c) Any amount deposited in the pension trust fund under subsection (4)(a) for the payment of supplemental benefits under this section that exceeds the limitation of subsection (4)(b)(iii) must be used to amortize unfunded liabilities of the retirement system.

(5) Every 10 years following July 1, 1991, the division shall review the size of the additional fee collected under 61-3-321(5) and deposited in the account in accordance with subsection (4)(a) and recommend to each legislature following the division's review any legislation necessary to reduce the fee to the minimum amount necessary to provide the supplemental benefits provided by this section."

Section 21. Section 19-6-801, MCA, is amended to read:

"19-6-801. Election to qualify military service. (1) A member with 15 years or more of service credit with the Montana highway patrol may, at any time prior to retirement, make a written election with the division to qualify all or any portion of the member's active service in the armed forces of the United States for the purpose of calculating retirement benefits, up to a maximum of 5 years, if the member is not otherwise eligible to receive service credit for this same service pursuant to 19-2-705.

(2) To qualify this service ~~the~~:

(a) a member not covered by [section 3] shall contribute to the account the amount determined by the division to be due based on the member's compensation and regular contribution rate as of the member's 16th year and as many succeeding years as are required to qualify this service, with interest from the date the member becomes eligible for this benefit to the date the member contributes. The member may not qualify more of this service than the member has service with the Montana highway patrol in excess of 15 years.

(b) a member covered by [section 3] shall contribute the actuarial cost of the service credit based on the most recent actuarial valuation of the system."

Section 22. Section 19-8-502, MCA, is amended to read:

"19-8-502. Member's contribution. (1) ~~Every~~ Each member is required to contribute into the pension trust fund ~~a sum equal to 7.9%~~ 8.5% of the member's monthly compensation, which ~~sum~~ must be deposited to the member's credit in the pension trust fund.

(2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable

1 by the member under subsection (1) for service rendered after June 30, 1985.

2 (3) The member's contributions picked up by the employer must be designated for all purposes of
3 the retirement system as the member's contributions, except for the determination of a tax upon a
4 distribution from the retirement system. These contributions must become part of the member's
5 accumulated contributions but must be accounted for separately from those previously accumulated.

6 (4) The member's contributions picked up by the employer must be payable from the same source
7 as is used to pay compensation to the member and must be included in the member's wages as defined
8 in 19-1-102 and the member's compensation as used to define the member's final average salary in
9 19-8-101. The employer shall deduct from the member's compensation an amount equal to the amount of
10 the member's contributions picked up by the employer and remit the total of the contributions to the
11 board."

12
13 **Section 23.** Section 19-8-504, MCA, is amended to read:

14 "19-8-504. **State's contribution.** Each month, the state treasurer shall pay to the pension trust
15 fund out of the department of fish, wildlife, and parks funds, a sum equal to ~~8.15%~~ 9% of all members'
16 salaries."

17
18 **Section 24.** Section 19-8-1002, MCA, is amended to read:

19 "19-8-1002. **Postretirement death payments.** If a ~~retired~~ member who retires on or after [the
20 effective date of this act] and who has not chosen an ~~optional~~ option 2, 3, or 4 retirement benefit under
21 19-8-801 dies before receiving an amount equal to the ~~present value of the member's service retirement~~
22 ~~benefit under 19-8-603~~ member's total amount of contributions and interest on account as at that amount
23 was at the time of the member's retirement, the balance must be paid to the member's designated
24 beneficiary in a lump-sum payment. ~~At the option of the designated beneficiary, the lump-sum payment may~~
25 ~~be annuitized and paid over the beneficiary's lifetime; however, the payment is not a benefit subject to~~
26 ~~increases."~~

27
28 **Section 25.** Section 19-9-702, MCA, is amended to read:

29 "19-9-702. **State contribution.** The state of Montana shall make its contributions through the state
30 auditor out of the premium tax on motor vehicle property and casualty insurance policies. The payments

1 must be made annually after the end of each fiscal year but no later than November 1 from the gross
2 premium tax after deduction for cancellations and returned premiums. The division shall notify the auditor
3 by September 1 of each fiscal year of the annual compensation paid to all active members during the
4 preceding fiscal year. The state's contribution is ~~15.66%~~ 15.96% of compensation paid to members."

5
6 **Section 26.** Section 19-9-710, MCA, is amended to read:

7 **"19-9-710. Member's contribution.** (1) ~~The~~ Except as provided in subsection (2), the regular
8 contribution as a percentage of compensation of each active member first employed by an employer as a
9 police officer:

10 (a) on or before June 30, 1975, is 7.8% of the member's compensation;

11 (b) In the case of a member first employed by an employer as a police officer after June 30, 1975,
12 the contribution is 9% of the member's compensation;

13 (c) In the case of a member first employed by an employer as a police officer after June 30, 1979,
14 but before [the effective date of this act], the contribution is 10.5% of the member's compensation; and

15 (d) on and after [the effective date of this act], is 11%.

16 (2) A member covered under [section 3] shall pay a contribution rate equal to 11% of
17 compensation received on and after [the effective date of this act].

18 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
19 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
20 by the member under subsection subsections (1) and (2) for service rendered after June 30, 1985.

21 ~~(3)(4)~~ (4) The member's contributions picked up by the employer must be designated for all purposes
22 of the retirement system as the member's contributions, except for the determination of a tax upon a
23 distribution from the retirement system. These contributions must become part of the member's
24 accumulated contributions but must be accounted for separately from those previously accumulated.

25 ~~(4)(5)~~ (5) The member's contributions picked up by the employer must be payable from the same
26 source as is used to pay compensation to the member and must be included in the member's wages as
27 defined in 19-1-102 and in the member's compensation as defined in 19-9-104. The employer shall deduct
28 from the member's compensation an amount equal to the amount of the member's contributions picked up
29 by the employer and remit the total of the contributions to the board."

1 **Section 27.** Section 19-9-1007, MCA, is amended to read:

2 **"19-9-1007. Supplement to certain benefits.** (1) The benefits paid in each fiscal year to a retired
3 member or the member's survivors and that are not covered by [section 3] may not be less than one-half
4 of the compensation that will be paid in the current fiscal year in the appropriate city or town to newly
5 confirmed police officers.

6 (2) On or before October 1 of each year, the division shall make a report including the following
7 information:

8 (a) the names of all retired members who are receiving benefits from the retirement system as of
9 the date of the report;

10 (b) the names of all surviving spouses or dependent children who are receiving benefits from the
11 retirement system because of the death of an active or retired member of this or a prior plan;

12 (c) for the purpose of determining the base retirement, disability, or survivorship benefits for the
13 computations set forth in subsection (3), the following information relating to the base fiscal year
14 commencing July 1, 1976:

15 (i) the amount of the benefits paid in the base fiscal year to each retired member described in
16 subsection (2)(a);

17 (ii) the amount of the benefits paid in the base fiscal year to each surviving spouse or dependent
18 child described in subsection (2)(b);

19 (iii) upon the death after the base fiscal year of any retired member who was receiving benefits, the
20 amount of benefits that would have been paid to an eligible surviving spouse of the retired member if the
21 surviving spouse had been receiving benefits in the base fiscal year;

22 (d) the original amount of retirement, disability, or survivorship benefits paid to retired members
23 or their eligible survivors as of the original retirement dates after July 1, 1975;

24 (e) the compensation that will be paid during the current fiscal year to a newly confirmed police
25 officer of each city or town participating in the retirement system.

26 (3) The division shall compute the difference between each amount reported under subsections
27 (2)(c) through (2)(e) and one-half the compensation to be paid during the current fiscal year to a newly
28 confirmed police officer of the appropriate city or town. The difference must be reported to the state auditor
29 who shall pay the difference to the pension trust fund out of the premium tax collected on insurance sold
30 in this state to insure against the risks enumerated in 19-18-512(3) no later than November 1. If the

1 compensation of a newly confirmed police officer has not been set for the current fiscal year in time to be
2 included in the October 1 report to the state auditor, the division shall make any retroactive adjustments
3 necessary to individual supplemental benefits after the current compensation has been determined and shall
4 include these amounts in the next year's report for reimbursement at that time.

5 (4) The premium tax amount paid by the state auditor is statutorily appropriated, as provided in
6 17-7-502, for the payment of supplemental retirement benefits to eligible retired members and their
7 survivors. This payment is in addition to the payment to be made by the state auditor under 19-9-702.

8 (5) If more than one dependent child is entitled to supplementary benefits under this section by
9 virtue of the death of a common parent, the minimum benefit paid to the dependent children under this
10 section must be determined as if there were one dependent child and the supplementary benefits must be
11 paid to the dependent children collectively."
12

13 **Section 28.** Section 19-13-601, MCA, is amended to read:

14 **"19-13-601. Deduction remitted to firemen's association -- member's contribution.** (1) Each
15 employer shall retain from the compensation of each active member a sum equal to 1% of the member's
16 compensation for services as a firefighter and shall remit this amount on a monthly basis to the Montana
17 state firemen's association for the payment of premiums on a group life and accidental death and
18 dismemberment insurance policy for members and to defray expenses incurred by the association when
19 representing members of the retirement system.

20 (2) ~~The~~ Each member's contribution to the retirement system ~~is 7.8% as a percentage~~ of the
21 member's compensation must be:

22 (a) 7.8% for a member not covered under [section 3]; or

23 (b) 9% for a member covered under [section 3].

24 (3) If a member receives compensation under the provisions of the Workers' Compensation Act,
25 Title 39, chapter 71, the amount received must be included as part of the member's compensation for
26 purposes of determining contributions and service credits under the retirement system. Contributions made
27 under 19-13-604, 19-13-605, and this section must be based on the total compensation received by the
28 member from the employer and from workers' compensation during the period of disability.

29 (4) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, as amended
30 and applicable on July 1, 1987, shall pick up and pay the contributions that would be payable by the

1 member under subsection (2) for service rendered after June 30, 1987.

2 (5) The member's contributions picked up by the employer must be designated for all purposes of
3 the retirement system as the member's contributions, except for the determination of a tax upon a
4 distribution from the retirement system. These contributions must become part of the member's
5 accumulated contributions but must be accounted for separately from those previously accumulated.

6 (6) The member's contributions picked up by the employer must be payable from the same source
7 as is used to pay compensation to the member and must be included in the member's compensation as
8 defined in 19-13-104. The employer shall deduct from the member's compensation an amount equal to the
9 amount of the member's contributions picked up by the employer and remit the total of the contributions
10 to the board."

11
12 **Section 29.** Section 19-13-604, MCA, is amended to read:

13 **"19-13-604. State contribution.** The state shall make its contributions through the state auditor
14 from the premium taxes on the insurance risks enumerated in 19-18-512. These payments must be made
15 annually to the pension trust fund after the end of each fiscal year but no later than November 1 from the
16 gross premium taxes after deduction for cancellations and returned premiums. The division shall notify the
17 auditor of the annual compensation, excluding overtime, holiday payments, shift differential payments,
18 compensatory time payments, and payments in lieu of sick leave, paid to all active members during the
19 preceding year. The state's contribution is ~~24.21%~~ 24.5% of this total compensation. As soon as
20 practicable after receipt of the state contribution, the division shall deposit it in the pension trust fund."

21
22 **Section 30.** Section 19-13-704, MCA, is amended to read:

23 **"19-13-704. Amount of service retirement benefit.** (1) Except as provided in subsection (3), the
24 following retirement benefits apply:

25 (a) A member ~~hired before July 1, 1981,~~ who elects to retire after having reached 20 years of
26 membership service must receive a service retirement benefit equal to the sum of:

27 (i) 50% of the member's last monthly compensation for years of service credit up to and including
28 20 years; and

29 (ii) 2% of the member's last monthly compensation for each year of service credit after 20 years.

30 (b) A member ~~hired before July 1, 1981,~~ who elects to retire after having reached at least 10 years

1 but less than 20 years of membership service as an active member must receive a service retirement benefit
2 equal to 2% of the member's last monthly compensation for each year of service credit. ~~Upon the retired~~
3 ~~member's death, the benefit must be made to the surviving spouse. If there is no surviving spouse or if the~~
4 ~~surviving spouse dies and if the member leaves one or more dependent children, the children are entitled~~
5 ~~to receive the allowance as long as they remain dependent children as defined in 19-13-104.~~

6 (2) A member hired on or after July 1, 1981, who retires with at least 10 years of membership
7 service must receive a service retirement benefit equal to 2% of the member's final average compensation
8 for each year of service credit.

9 (3) A member hired before July 1, 1981, and who is covered under [section 3] is entitled to the
10 same benefit provided under subsection (1) or (2), except that the benefit must be calculated using final
11 average compensation.

12 (4) Upon a retired member's death, the benefit must be made to the surviving spouse. If there is
13 no surviving spouse or if the surviving spouse dies and if the member leaves one or more dependent
14 children, the children are entitled to receive the allowance as long as they remain dependent children as
15 defined in 19-13-104."

16
17 **Section 31.** Section 19-13-803, MCA, is amended to read:

18 **"19-13-803. Amount of disability retirement benefit.** (1) A Except as provided in subsection (3),
19 the disability retirement benefit for a member hired before July 1, 1981, who becomes disabled:

20 (a) before completing 20 years of membership service must ~~receive a disability retirement benefit~~
21 ~~equal to~~ one-half the member's last monthly compensation;

22 (b) after completing 20 years or more of membership service must ~~receive equal~~ the disability
23 retirement benefit provided in subsection (1)(a) increased at a rate of 2% of the member's last monthly
24 compensation for each year of service credit in excess of 20.

25 (2) A Except as provided in subsection (3), the disability retirement benefit for a member hired on
26 or after July 1, 1981, who becomes disabled:

27 (a) before completing 25 years of membership service must ~~receive a disability retirement benefit~~
28 ~~equal to~~ one-half the member's last monthly compensation;

29 (b) after completing 25 years or more of membership service must ~~receive equal~~ the disability
30 retirement benefit provided in subsection (2)(a) increased at a rate of 2% of the member's last monthly

1 compensation for each year of service credit in excess of 25.

2 (3) A member covered under [section 3] is entitled to the same benefit as provided in subsection
3 (1) or (2) except that the benefit must be calculated using final average compensation.

4 (4) A member's disability retirement benefit must be paid first to the member during the member's
5 lifetime and, upon the member's death, to the member's surviving spouse. If upon a member's death the
6 member leaves no surviving spouse or upon the death of the surviving spouse, the member's benefit must
7 be paid to the member's dependent children as long as they remain dependent children as defined in
8 19-13-104."

9
10 **Section 32.** Section 19-13-902, MCA, is amended to read:

11 **"19-13-902. Survivorship benefit.** (1) ~~(a) Upon the death before retirement~~ Except as provided in
12 subsection (3), the survivorship benefits payable to the surviving spouse upon the death of an active
13 member hired before July 1, 1981, the member's surviving spouse, if there is one, must receive a
14 survivorship benefit equal to must be as follows:

15 (a) one-half the last monthly compensation received by the member; or, If the member leaves one
16 or more dependent children, then, upon the member's death if the member leaves no surviving spouse or
17 upon the death of the surviving spouse, the member's dependent children must collectively receive the
18 same benefit that a surviving spouse would have received, as long as the children remain dependent
19 children as defined in 19-13-104.

20 (b) ~~If~~ if the deceased member completed over 20 years of membership service, the survivorship
21 benefit provided in subsection (1)(a) ~~must be~~ increased at a rate of 2% of the last monthly compensation
22 for each year of service in excess of 20.

23 (2) Upon the death before retirement of a member hired on or after July 1, 1981, the member's
24 surviving spouse, if there is one, must receive a survivorship benefit equal to one-half of the member's final
25 average compensation.

26 (3) The benefit payable to the surviving spouse upon the death of an active member covered under
27 [section 3] must be the same as provided under subsection (1) or (2) except that the benefit must be
28 calculated using final average compensation.

29 (4) If the member leaves one or more dependent children, then, upon the member's death if the
30 member leaves no surviving spouse or upon the death of the surviving spouse, the member's dependent

1 children must collectively receive the same benefit that a surviving spouse would have received, as long
2 as the children remain dependent children as defined in 19-13-104."

3
4 **Section 33.** Section 19-13-1006, MCA, is amended to read:

5 **"19-13-1006. Supplement to retirement benefits for persons retiring before July 1, 1973.** (1) ~~The~~
6 Except for persons who elect to be covered under [section 3], the retirement system shall pay to each
7 member retired before July 1, 1973, or the member's surviving spouse or dependent children a monthly
8 retirement benefit of not less than one-half the regular monthly compensation paid to a confirmed active
9 firefighter of the city that last employed the member as a firefighter, as provided each year in the budget
10 of that city. If the city that last employed the member as a firefighter no longer employs a full-paid
11 firefighter, the member's or survivor's benefit may not be less than one-half the average regular monthly
12 compensation paid to all newly confirmed full-paid firefighters, as provided each year in the budgets of
13 those cities that participate in the retirement system and employ a full-paid firefighter. In the case of
14 volunteer firefighters, the retirement benefit may not exceed \$75 per month. Distribution of the money
15 provided for this purpose under 19-18-606(1) must be made according to subsection (2).

16 (2) (a) At the beginning of each fiscal year the division shall request and, except as provided in
17 subsection (2)(b), the state auditor shall issue from the state special revenue fund and deliver to the division
18 an amount certified to be equal to the total annual dollar difference between the total retirement benefits
19 paid to all retirees or their surviving spouses or dependent children in the previous fiscal year and the total
20 benefits payable on June 30, 1973. The division shall deposit this money into the pension trust fund.

21 (b) If insufficient money is contained in the state special revenue fund to pay the amount requested
22 in subsection (2)(a), the auditor shall pay to the division the balance contained in the state special revenue
23 fund. The division shall continue to request any portion of the amount requested under subsection (2)(a)
24 not paid in previous fiscal years plus sufficient interest to reimburse the pension trust fund, which amounts
25 must be paid to the division prior to determining whether sufficient cash remains in the special revenue fund
26 to make any payments into the account established in 19-13-615. The auditor shall pay the requests as
27 money in the state special revenue fund becomes available."

28
29 **Section 34.** Section 19-13-1007, MCA, is amended to read:

30 **"19-13-1007. Benefit Minimum benefit adjustment.** (1) ~~For~~ Except for persons who elect to be

covered under [section 3], a member retiring on or after July 1, 1973, who was hired before July 1, 1981, or the member's surviving spouse or dependent children, the service retirement benefit provided in 19-13-704(1)(a), the disability retirement benefit provided in 19-13-803(1), and the survivorship benefit provided in 19-13-902(1) may not be less than one-half the monthly compensation paid to a newly confirmed, active firefighter of a city that last employed the member as a firefighter, as provided each year in the budget of that city.

(2) For a member hired on or after July 1, 1981, or the member's surviving spouse or dependent children, the disability retirement benefit provided in 19-13-803(2) and the survivorship benefit provided in 19-13-902(2) may not be less than one-half the monthly compensation paid to a newly confirmed, active firefighter of a city that last employed the member as a firefighter, as provided each year in the budget of that city.

(3) If after a member retires, the city that last employed the member no longer employs a full-paid firefighter, the member's or survivor's benefit under subsections (1) and (2) must be adjusted on the basis of the average monthly compensation paid to all newly confirmed full-paid firefighters, as provided each year in the budgets of those cities that participate in the retirement system and employ a full-paid firefighter.

(4) Except for persons who elect to be covered under [section 3], if the employment of a vested member hired before July 1, 1981, is involuntarily discontinued because of the termination of employment of all full-paid firefighters in the city that employed the member, the member's service retirement benefit provided in 19-13-704(1)(b) and the member's spouse's or dependent child's survivorship benefit provided in 19-13-902(1) may not be less than:

(a) if the member has earned 20 years or more of membership service, one-half the average monthly compensation paid to all newly confirmed, full-paid firefighters, as provided each year in the budgets of those cities that participate in the retirement system and employ a full-paid firefighter; or

(b) if the member has earned more than 10 but less than 20 years of membership service, 2% of the average monthly compensation paid to all newly confirmed, full-paid firefighters, as provided each year in the budgets of those cities that participate in the retirement system and employ a full-paid firefighter, for each year of the member's service."

Section 35. Section 19-13-1009, MCA, is amended to read:

1 **"19-13-1009. Supplement to retirement benefits for persons hired on or after July 1, 1981. (1)**

2 ~~The~~ Except for persons who elect to be covered under [section 3], the division shall pay a supplemental
3 benefit from the account provided for in 19-13-615 to each member hired on or after July 1, 1981, who
4 has earned 20 years of membership service as an active firefighter or to the member's surviving spouse
5 or dependent children. Except as provided in subsection (2), the supplemental benefit, when added to the
6 service retirement benefit, must equal one-half the regular monthly compensation paid to a newly confirmed
7 full-paid active firefighter of the city that last employed the member as a firefighter as provided each year
8 in the budget of that city. If after a member retires, the city that last employed the member no longer
9 employs a full-paid firefighter, the member's supplemental benefit must be calculated on the basis of the
10 average monthly compensation paid to all newly confirmed full-paid firefighters, as provided each year in
11 the budgets of those cities that participate in the retirement system and employ a full-paid firefighter.

12 (2) If the amount available to the account is insufficient to fully fund the supplemental benefit
13 provided for in subsection (1), the supplemental benefit for each eligible member or survivor must be
14 reduced by an equal percentage so that the amount contained in the account is not exceeded."

15
16 **Section 36.** Section 25-1-201, MCA, is amended to read:

17 **"25-1-201. Fees of clerk of district court. (1)** The clerk of the district court shall collect the
18 following fees:

19 (a) at the commencement of each action or proceeding, except a petition for dissolution of
20 marriage, from the plaintiff or petitioner, \$80; for filing a complaint in intervention, from the intervenor,
21 \$80; for filing a petition for dissolution of marriage, a fee of \$120; and for filing a petition for legal
22 separation, a fee of \$120;

23 (b) from each defendant or respondent, on appearance, \$60;

24 (c) on the entry of judgment, from the prevailing party, \$45;

25 (d) for preparing copies of papers on file in the clerk's office, 50 cents ~~per~~ a page for the first five
26 pages of each file, ~~per~~ for each request, and 25 cents ~~per~~ for each additional page;

27 (e) for each certificate, with seal, \$2;

28 (f) for oath and jurat, with seal, \$1;

29 (g) for search of court records, 50 cents for each year searched, not to exceed a total of \$25;

30 (h) for filing and docketing a transcript of judgment or transcript of the docket from all other courts,

1 the fee for entry of judgment provided for in subsection (1)(c);

2 (i) for issuing an execution or order of sale on a foreclosure of a lien, \$5;

3 (j) for transmission of records or files or transfer of a case to another court, \$5;

4 (k) for filing and entering papers received by transfer from other courts, \$10;

5 (l) for issuing a marriage license, \$30;

6 (m) on the filing of an application for informal, formal, or supervised probate or for the appointment
7 of a personal representative or the filing of a petition for the appointment of a guardian or conservator, from
8 the applicant or petitioner, \$70, which includes the fee for filing a will for probate;

9 (n) on the filing of the items required in 72-4-303 by a domiciliary foreign personal representative
10 of the estate of a nonresident decedent, \$55;

11 (o) for filing a declaration of marriage without solemnization, \$30;

12 (p) for filing a motion for substitution of a judge, \$100.

13 (2) Except as provided in subsections (3) through (8), 32% of all fees collected by the clerk of the
14 district court must be deposited in and credited to the district court fund. If no district court fund exists,
15 that portion of the fees must be deposited in the general fund for district court operations. The remaining
16 portion of the fees must be remitted to the state ~~to be deposited as provided in 19-5-404~~ general fund.

17 (3) In the case of a fee collected for issuing a marriage license or filing a declaration of marriage
18 without solemnization, ~~\$14~~ \$23.60 must be deposited in and credited to the state general fund, and \$6.40
19 must be deposited in and credited to the county general fund, ~~and \$9.60 must be remitted to the state to~~
20 ~~be deposited as provided in 19-5-404~~.

21 (4) Of the fee for filing a petition for dissolution of marriage or legal separation, ~~\$40~~ \$75 must be
22 deposited in the state general fund, ~~\$35 must be remitted to the state to be deposited as provided in~~
23 ~~19-5-404~~, \$5 must be deposited in the children's trust fund account established by 41-3-702, and \$20
24 must be deposited in and credited to the district court fund. If no district court fund exists, the \$20 must
25 be deposited in the general fund for district court operations.

26 (5) (a) Before the percentages contained in subsection (2) are applied and the fees deposited in the
27 district court fund or the county general fund or remitted to the state, the clerk of the district court shall
28 deduct from the following fees the amounts indicated:

29 (i) at the commencement of each action or proceeding and for filing a complaint in intervention as
30 provided in subsection (1)(a), \$35;

(ii) from each defendant or respondent, on appearance, as provided in subsection (1)(b), \$25;

(iii) on the entry of judgment as provided in subsection (1)(c), \$15; and

(iv) from the applicant or petitioner, on the filing of an application for probate or for the appointment of a personal representative or on the filing of a petition for appointment of a guardian or conservator, as provided in subsection (1)(m), \$15.

(b) The clerk of the district court shall deposit the money deducted in subsection (5)(a) in the county general fund for district court operations unless the county has a district court fund. If the county has a district court fund, the money must be deposited in that fund.

(6) The fee for filing a motion for substitution of a judge as provided in subsection (1)(p) must be remitted to the state ~~to be deposited as provided in 19-5-404~~ general fund.

(7) Fees collected under subsections (1)(d) through (1)(i) must be deposited in the district court fund. If no district court fund exists, fees must be deposited in the general fund for district court operations.

(8) The clerk of the district court shall remit to the credit of the state general fund \$20 of each fee collected under the provisions of subsections (1)(a) through (1)(c), (1)(m), and (1)(n) to fund a portion of judicial salaries."

NEW SECTION. **Section 37. Repealer.** Sections 19-3-1601, 19-3-1602, 19-3-1603, 19-7-708, 19-7-709, 19-7-710, 19-8-1101, 19-8-1102, and 19-8-1103, MCA, are repealed.

NEW SECTION. **Section 38. Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 19, chapters 3, 7, and 8, and the provisions of Title 19, chapters 3, 7, and 8, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 5, and the provisions of Title 19, chapter 5, apply to [section 2].

(3) [Section 3] is intended to be codified as an integral part of Title 19, chapters 2, 6, 9, and 13, and the provisions of Title 19, chapters 2, 6, 9, and 13, apply to [section 3].

(4) [Section 4] is intended to be codified as an integral part of Title 19, chapter 3, and the provisions of Title 19, chapter 3, apply to [section 4].

NEW SECTION. **Section 39. Effective date.** [This act] is effective July 1, 1997.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0170, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The bill establishes a 1.5 percent guaranteed annual benefit adjustment (GABA) for certain benefit recipients in the public employee retirement systems; makes the annual adjustment an alternative to certain existing benefits; increases contribution rates and modifies certain benefits to fund the adjustments; and requires that members of the public employees' and highway patrol officers' retirement systems pay the full actuarial cost of purchasing certain service.

ASSUMPTIONS:

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS):

1. The total actuarial cost of funding the 1.5 percent GABA in PERS is annual contributions equal to 3.1 percent of total PERS payroll. The cost will be paid as follows: service purchase funding swap (0.31 percent); extend amortization period for funding the system's unfunded liabilities to 26 years (2.39 percent); increased employer contributions (0.2 percent phased in over three years); and increased employee contributions (0.2 percent phased in over three years).
2. The fiscal year 1996 payroll for covered employees totaled \$608,592,099. Payrolls are estimated to increase by 3.5 percent per year in the next biennium and beyond. Of the total covered member payroll, 44.5 percent is applicable to state employees; 8.7 percent is applicable to university system employees; and 46.8 percent is applicable to local government/school district employees.
3. The general fund is estimated to pay 40 percent of the state contributions to PERS for state payroll. Using this percentage for general fund, the other contributions for state agency payrolls are estimated to be funded 29 percent from federal funds, 28 percent from state special revenue, and 3 percent from other funds. The university system payroll is estimated to be funded from current unrestricted funds in the proportion of 60 percent general fund and 40 percent tuition and other funds.
4. State employer and employee contributions will increase by 0.1 percent (.001) during the next biennium. Local government employer contributions will not increase until fiscal year 2000 and then will be increased by 0.1 percent of covered payroll.

JUDGES' RETIREMENT SYSTEM (JRS):

5. The current statutory funding rate for the Judges' Retirement System totals 48.01 percent of covered member compensation (composed of 7 percent from employee members; 6 percent from the state; 34.71 percent from district court fees; and 0.3 percent from supreme court fees). Due to continuing shortfalls in revenues from district court fees, total contributions to the system have averaged only 34 percent of covered member compensation.
6. The total actuarial cost of funding the JRS with a 1.5 percent GABA and substitution of a refund of employee contributions and interest for the actuarial present value of the Option 1 retirement benefit will be 32.81 percent of covered member payroll.
7. The state general fund contributions for supreme court justices and district court judges will increase from 6 percent to 25.81 percent of covered member compensation. State employer contributions for the chief water court judge from the renewable resource grant and loan program account in the state special revenue fund will decrease from 34.71 percent to 25.81 percent of compensation.
8. District court fees and supreme court fees revenue approximately equal to \$575,000 each year will be deposited into the general fund.
9. The total covered payroll for the JRS during fiscal years 1998 and 1999 will be \$3,206,597 each year, of which \$72,042 will represent the salary for the chief water judge.

(Continued)

Dave Lewis 1-15-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Chris Ahner 1-16-97
CHRIS AHNER, PRIMARY SPONSOR DATE

Fiscal Note for HB0170, as introduced

HB 170

GAME WARDENS' RETIREMENT SYSTEM (GWRS):

10. The total actuarial cost of funding the 1.5 percent GABA in GWRS is annual contributions equal to 4.23 percent of total GWRS covered member payroll. The cost will be paid as follows: excess system funding (2.36 percent); extend the amortization period for funding unfunded liabilities to 2.8 years (0.42 percent); increased employer contributions (0.85 percent); and increased employee contributions (0.6 percent).

11. The covered member payroll in fiscal year 1996 totaled \$2,761,752. It is estimated that covered member payrolls will increase by 3.9 percent per year in future biennia.

SHERIFFS' RETIREMENT SYSTEM (SRS):

12. The total actuarial cost of funding the 1.5 percent GABA in SRS is annual contributions equal to 3.4 percent of total covered member SRS payroll. The cost will be paid as follows: excess system funding (3.26 percent); and extend the amortization period to fund unfunded liabilities to 1.35 years (0.14 percent).

13. The covered member payroll in fiscal year 1996 totaled \$17,889,806. Covered member payrolls are estimated to increase by 6.9 percent per year in future biennia.

HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS):

14. The total actuarial cost of funding the 1.5 percent GABA in HPORS is annual contributions equal to 0.6 percent of total HPORS covered member payroll. The cost will be paid as follows: service purchase funding swap (0.12 percent); extend the amortization period for funding unfunded liabilities to 20.6 years (0.38 percent); increased employer contributions (0.05 percent); and increased employee contributions (0.05 percent).

15. The covered member payroll for fiscal year 1996 totaled \$6,241,716. It is estimated that covered member payrolls will increase by 4.5 percent per year in future biennia.

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS):

16. The total actuarial cost of funding the 1.5 percent GABA in MPORS is annual contributions equal to 2.75 percent of total MPORS covered member payroll. The cost will be paid as follows: extend the amortization period for funding unfunded liabilities to 17.7 years (1.95 percent); increased contributions from insurance premium tax fund (0.3 percent); increased employee contributions (0.5 percent).

17. The covered member payroll for fiscal year 1996 totaled \$15,827,596. It is estimated that covered member payrolls will increase by 6.8 percent per year in future biennia.

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS):

18. The total actuarial cost of funding the 1.5 percent GABA in FURS is annual contributions equal to 2.87 percent of total FURS covered member payroll. The cost will be paid as follows: substituting final average salary for benefit calculations (0.88 percent); actuarially funding minimum benefit adjustments for persons not electing GABA (0.5 percent); increased contributions from insurance premium tax fund (0.29 percent); increased employee contributions (1.2 percent).

19. The covered member payroll for fiscal year 1996 totaled \$13,782,660. It is estimated that covered member payrolls will increase by 5.3 percent per year in the future biennia.

PUBLIC EMPLOYEES' RETIREMENT DIVISION (PERD):

20. Implementing the proposal will require programming changes to both the "active" and "retired" computerized accounting systems. Additional data processing and programming costs of \$75,000 are estimated for fiscal year 1998. In addition, mailings to 27,000 active members of the systems will be required to inform them of their rights and options for purchasing service at the higher actuarial cost and opting to be covered under the GABA. It is anticipated that additional printing costs of \$1,500 and additional postage of \$2,000 will be required in fiscal year 1998.

OTHER STATE AGENCIES:

21. The bill requires that members of the PERS and HWPORS pay the full actuarial cost of purchasing certain service. This will result in a higher cost per year of service than the current rate that is based upon the combined employer/employee contribution rates. The increase in the purchase price for service years is part of the funding mechanism for the PERS and HWPORS (service purchase funding swap). The Employee Protection Act (HB490) passed by the 1995 Legislature includes a retirement provision that provides, at state agency expense, additional service to certain employees who are involuntarily terminated and are members of PERS and HWPORS, as well as certain other systems. The involuntary termination may occur as a result of privatization, reorganization of an agency, and closure of or a reduction-in-force at an agency. The increased cost to state agencies of purchasing service under the higher actuarial cost is not subject to reasonable estimate.

FISCAL IMPACT:

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
State contributions to PERS:		
General fund (01)	1,076,000	1,092,000
State special revenue (02)	202,100	212,100
Federal special revenue (03)	84,200	87,100
Other funds	<u>31,400</u>	<u>32,500</u>
Total state contributions	1,393,700	1,423,700

PERD Administrative Expenses:

Operating expenses	78,500	0
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Funding:

Non-expendable trust (09)	78,500	0
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Revenues:

General fund (01)	476,500	470,500
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Net Impact on Fund Balance: (Revenue minus expenses)

General fund (01)	(599,500)	(621,500)
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA, provides that bills which have such an impact may not be introduced. Contribution rate increases (expenditures) for local government PERS employers will be partially offset by a 0.1 percent state general fund contribution on behalf of local government PERS-covered employees. The contribution rate increase for local governments is 0.1 percent effective July 1, 1999. The estimated cost to local governments is \$326,700 in fiscal year 2000 and is projected to increase at the estimated annual payroll increase rate of 3.5 percent per year.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The negative impacts of inflation on retirement benefits will be partially reduced for benefit recipients. Approximately 86 percent of the cost of providing the benefit increases will be covered through the use of system savings options such as extending the amortization period for unfunded liabilities and funding swaps. The net general fund cost is estimated to be \$839,000 in fiscal year 2000 and is estimated to increase annually based upon the estimated payroll increases in the PERS and JRS. There will be increases in general fund revenue from increased income tax collections that are not included in the net general fund cost estimates. Department of Revenue data from 1994 estimated the ratio of tax liability on PERS benefit payments to the total benefit payments to be 2.31 percent.

TECHNICAL NOTES: This bill will need to be coordinated with other legislation impacting these retirement systems (for example: HB 61, HB 169, HB 173, SB 124, LC 456, LC544, LC 607, LC826, LC 889, LC 939, LC 957, and LC 1076).

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0170, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

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(Continued)

Dave Lewis 1-15-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Chris Ahner 1-16-97
CHRIS AHNER, PRIMARY SPONSOR DATE

Fiscal Note for HB0170, as introduced
Corrected - HB 170

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STATE OF MONTANA - FISCAL NOTE

Revised Fiscal Note for HB0170, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The bill establishes a 1.5 percent guaranteed annual benefit adjustment (GABA) for certain benefit recipients in the public employee retirement systems; makes the annual adjustment an alternative to certain existing benefits; increases contribution rates and modifies certain benefits to fund the adjustments; and requires that members of the public employees' and highway patrol officers' retirement systems pay the full actuarial cost of purchasing certain service.

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(Continued)

Dave Lewis 1-22-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Chris Ahner
CHRIS AHNER, PRIMARY SPONSOR DATE

Rev. Fiscal Note for HB0170, as introduced

Rev. HB 170 #2

OTHER STATE AGENCIES:

21. The bill requires that members of the PERS pay the full actuarial cost of purchasing certain service. This will result in a higher cost per year of service than the current rate that is based upon the combined employer/employee contribution rates. The increase in the purchase price for service years is part of the funding mechanism for the PERS (service purchase funding swap). The Employee Protection Act (HB490) passed by the 1995 Legislature included a retirement provision that provided, at state agency expense, additional service to certain employees who are involuntarily terminated and are members of PERS. The involuntary termination may occur as a result of privatization, reorganization of an agency, and closure of or a reduction-in-force at an agency. This provision has a sunset date of July 1, 1997. If this provision were in effect during the 1999 biennium, there would be an increased cost to state agencies of purchasing service under the higher actuarial cost.

FISCAL IMPACT:Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
State contributions to PERS:		
General fund (01)	1,076,000	1,092,000
State special revenue (02)	71,900	96,100
Federal special revenue (03)	84,200	87,100
Other funds	<u>31,400</u>	<u>32,500</u>
Total state contributions	1,263,500	1,307,700

PERD Administrative Expenses:

Operating expenses	78,500	0
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Funding:

Non-expendable trust (09)	78,500	0
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Revenues:

General fund (01)	606,700	586,500
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Net Impact on Fund Balance: (Revenue minus expenses)

General fund (01)	(469,300)	(505,500)
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: Contribution rate increases (expenditures) for local government PERS employers will be partially offset by a 0.1 percent state general fund contribution on behalf of local government PERS-covered employees. The contribution rate increase for local governments is 0.1 percent effective July 1, 1999. The estimated cost to local governments is \$326,700 in fiscal year 2000 and is projected to increase at the estimated annual payroll increase rate of 3.5 percent per year. The estimated distribution of the cost to local governments in fiscal year 2000 is projected to be \$119,800 to counties, \$124,200 to school districts, \$62,300 to cities and towns, and \$20,500 to other taxing districts.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The negative impacts of inflation on retirement benefits will be partially reduced for benefit recipients. Approximately 86 percent of the cost of providing the benefit increases will be covered through the use of system savings options such as extending the amortization period for unfunded liabilities and funding swaps. The net general fund cost is estimated to be \$839,000 in fiscal year 2000 and is estimated to increase annually based upon the estimated payroll increases in the PERS and JRS. There will be increases in general fund revenue from increased income tax collections that are not included in the net general fund cost estimates. Department of Revenue data from 1994 estimated the ratio of tax liability on PERS benefit payments to the total benefit payments to be 2.31 percent.

TECHNICAL NOTES: This bill will need to be coordinated with other legislation impacting these retirement systems (for example: HB 61, HB 169, HB 173, SB 124, LC 456, LC544, LC 607, LC826, LC 889, LC 939, LC 957, and LC 1076).

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By CHAIRMAN MATT DENNY, on February 4, 1997, at
9:00 a.m., in room 420.

ROLL CALL

Members Present:

Rep. Matt Denny, Chairman (R)
Rep. Matt Brainard, Vice Chairman (Majority) (R)
Rep. Antoinette R. Hagener, Vice Chairman (Minority) (D)
Rep. Darrel Adams (R)
Rep. Haley Beaudry (R)
Rep. Tim Dowell (D)
Rep. Harriet Hayne (R)
Rep. George Heavy Runner (D)
Rep. Sam Kitzenberg (R)
Rep. Norm Mills (R)
Rep. Doug Mood (R)
Rep. William Rehbein, Jr. (R)
Rep. Trudi Schmidt (D)
Rep. Dorothy C. Simpson (D)
Rep. Allan Walters (R)
Rep. Bill Whitehead (D)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Services Division
Keri Burkhardt, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 170; (1/27/97)
Executive Action: None.

HEARING ON HB 170

EXHIBIT 1.

Opening Statement by Sponsor: REP. CHRIS AHNER, H.D. 51.

{Tape: 1; Side: a; Approx. Time Count: .1; Comments: None.}

Proponents' Testimony:

Linda King, Public Employees Retirement Board, Department of
Administration.

EXHIBIT 2.

EXHIBIT 3.

{Tape: 1; Side: a; Approx. Time Count: 4; Comments: None.}

Tom Schneider, President, Public Employees Pension Security Coalition (PEPSCo); Montana Public Employees Association.

{Tape: 1; Side: a; Approx. Time Count: 16.5; Comments: None.}

Tom Bilodeau, Research Director, Montana Education Association.

EXHIBIT 4.

{Tape: 1; Side: a; Approx. Time Count: 17.9; Comments: None.}

Terry Minow, Montana Federation of Teachers, Montana Federation of State Employees, PEPSCo.

{Tape: 1; Side: a; Approx. Time Count: 26.5; Comments: None.}

Jack E. Cohn, Montana Retired Teachers School and Personnel.

{Tape: 1; Side: a; Approx. Time Count: 27.4; Comments: None.}

Art Whitney, Association of Montana Retired Public Employees.

{Tape: 1; Side: a; Approx. Time Count: 28; Comments: None.}

Vernen Bertleson, Montana Senior Citizens Association.

{Tape: 1; Side: a; Approx. Time Count: 29.6; Comments: None.}

Terry Teichrow, President, Public Employees Retirement Board.

{Tape: 1; Side: a; Approx. Time Count: 30.4; Comments: None.}

Pat Clinch, Montana State Council of Professional Firefighters.

{Tape: 1; Side: a; Approx. Time Count: 32.5; Comments: None.}

Leroy Schramm.

EXHIBIT 5.

{Tape: 1; Side: a; Approx. Time Count: 33.1; Comments: None.}

Harley Warner.

{Tape: 1; Side: a; Approx. Time Count: 38.9; Comments: None.}

Joe Strasko.

{Tape: 1; Side: a; Approx. Time Count: 39.9; Comments: None.}

Opponents' Testimony:

Leonard DeVore, Street and Park Superintendent.

EXHIBIT 6.

{Tape: 1; Side: a; Approx. Time Count: 43.1; Comments: None.}

Mike Nobel.

EXHIBIT 7.

{Tape: 1; Side: b; Approx. Time Count: .2; Comments: None.}

Dan McGregor.

{Tape: 1; Side: b; Approx. Time Count: 4.2; Comments: None.}

Questions From Committee Members and Responses:

{Tape: 1; Side: b; Approx. Time Count: 8.9; Comments: None.}

HOUSE STATE ADMINISTRATION COMMITTEE

February 4, 1997

Page 3 of 4

Closing by Sponsor: REP. AHNER closes.

{Tape: 1; Side: b; Approx. Time Count: 30.4; Comments: None.}

HOUSE STATE ADMINISTRATION COMMITTEE

February 4, 1997

Page 4 of 4

ADJOURNMENT

Adjournment: 10:17 a.m.



REP. MATT DENNY, Chairman



KERI BURKHARDT, Secretary

MD/KB

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By CHAIRMAN MATT DENNY, on February 19, 1997, at 9:00 a.m., in room 420.

ROLL CALL

Members Present:

Rep. Matt Denny, Chairman (R)
Rep. Matt Brainard, Vice Chairman (Majority) (R)
Rep. Antoinette R. Hagener, Vice Chairman (Minority) (D)
Rep. Darrel Adams (R)
Rep. Haley Beaudry (R)
Rep. Tim Dowell (D)
Rep. Harriet Hayne (R)
Rep. George Heavy Runner (D)
Rep. Sam Kitzenberg (R)
Rep. Norm Mills (R)
Rep. Doug Mood (R)
Rep. William Rehbein, Jr. (R)
Rep. Trudi Schmidt (D)
Rep. Dorothy C. Simpson (D)
Rep. Allan Walters (R)
Rep. Bill Whitehead (D)

Members Excused: Rep. Beaudry and Rep. Heavy Runner.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Services Division
Keri Burkhardt, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 565, HB 569, HB 575, HB 579; (2/17/97).
Executive Action: HB 112, HB 170, HB 483, HB 499, HB 324.

EXECUTIVE ACTION ON HB 499

Motion: REP. HAGENER MOVED DO PASS.

{Tape: 1; Side: a; Approx. Time Count: .8; Comments: None.}

Motion: REP. KITZENBERG MOVED TO AMEND.

{Tape: 1; Side: a; Approx. Time Count: 1.3; Comments: None.}

Vote: REP. HAGENER CALLED THE QUESTION. Motion carried 16-0.
{Tape: 1; Side: a; Approx. Time Count: 25.6; Comments: None.}

EXECUTIVE ACTION ON HB 112

Motion: REP. HAGENER MOVED DO PASS.
{Tape: 1; Side: a; Approx. Time Count: 25.8; Comments: None.}

Vote: REP. BRAINARD MOVED TO TABLE. Motion carried 10-6. Rep. Dowell, Rep. Hagener, Rep. Heavy Runner, Rep. Schmidt, Rep. Simpson, and Rep. Whitehead voted no.
{Tape: 1; Side: a; Approx. Time Count: 26.1; Comments: None.}

EXECUTIVE ACTION ON HB 170

Motion: REP. HAGENER MOVED DO PASS.
{Tape: 1; Side: a; Approx. Time Count: 27.8; Comments: None.}

Discussion:

Linda King, Public Employees Retirement Division, Department of Administration.

{Tape: 1; Side: a; Approx. Time Count: 34.4; Comments: None.}

Motion: REP. BRAINARD MOVED TO TABLE. Motion carried 9-7. Rep. Dowell, Rep. Hagener, Rep. Heavy Runner, Rep. Kitzenberg, Rep. Mood, Rep. Schmidt, Rep. Simpson, and Rep. Whitehead voted no.
{Tape: 1; Side: a; Approx. Time Count: 38; Comments: None.}

EXECUTIVE ACTION ON HB 324

Motion: REP. SCHMIDT MOVED DO PASS.
{Tape: 1; Side: a; Approx. Time Count: 39; Comments: None.}

Vote: REP. REHBEIN MOVED TO TABLE. Motion carried 9-7. Rep. Dowell, Rep. Hagener, Rep. Heavy Runner, Rep. Kitzenberg, Rep. Schmidt, Rep. Simpson, and Rep. Whitehead voted no.
{Tape: 1; Side: a; Approx. Time Count: 42.2; Comments: None.}

HEARING ON HB 569

Opening Statement by Sponsor: REP. CAROLYN SQUIRES, H.D. 68.
{Tape: 1; Side: b; Approx. Time Count: 2.6; Comments: None.}

Proponents' Testimony:

Mike Kadus, Mayor, Missoula.

{Tape: 1; Side: b; Approx. Time Count: 4; Comments: None.}

2-4-97
State Admin.
House

ROLL CALL

NAME	PRESENT	ABSENT	EXCUSED
Rep. Matt Brainard	X		
Rep. Harriet Hayne	X		
Rep. Darrel Adams	X		
Rep. Haley Beaudry	X		
Rep. William Rehbein, Jr.	X		
Rep. Sam Kitzenberg	X		
Rep. Allan Walters	X		
Rep. Norm Mills	X		
Rep. Tim Dowell	X		
Rep. Doug Mood	X		
Rep. Trudi Schmidt	X		
Rep. Bill Whitehead	X		
Rep. George Heavy Runner	X		
Rep. Dorothy C. Simpson	X		
Rep. Antoinette R. Hagener	X		
Rep. Matt Denny	X		

VISITOR REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

DATE: 2-4-97

BILL NO: HB 170 SPONSOR: Inner

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informa- tional	Support	Oppose
Jim Smith	Sheriff's Assoc. ^{MSA}		✓	
Charles F. Stohl	Self		✓	
Tom & Linda	PPSCC/MPSA		✓	
Stephen C. Kolagi	Self		✓	
Will Whitney	AMRPL & Self		✓	
Emmett Corley	EMRPE		✓	
Vernor Bertelsen	Self & MSA		✓	
Nich. Merksien	Self AMRE MPSA		✓	
Charles C. Miesner	Self		✓	
Larry A. Thierke	Self		✓	
Carol V. Vancura	Self		✓	
W. K. Decker	Self		✓	
Mary Shippen	Self		✓	
Mike No. 40				X

Please leave prepared testimony with secretary.

Witness statement forms are available if you care to submit written testimony.

VISITOR REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

DATE: 7-4-97

BILL NO: HB 170 SPONSOR: Ahner
(continue)

[illegible]

Please leave prepared testimony with secretary.
Witness statement forms are available if you care to submit written testimony.

VISITOR REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

DATE: 2-4-97

BILL NO: 11B170 SPONSOR: Almer
(continue)

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informa- tional	Support	Oppose
Leonard DeVore	Self			L
HAL MANSON			✓	
Beth DeVore	Self			Section 11 only
Terry Tichauer	PERB		X	
Leo Berry	Ass. Mt. Ret Pub Em		X	
Norman Brass	AMPE			
HARLEN WARNER	SELF		X	
Charles Cohn	MRT/SP		X	
Dan McGregor	SELF		X	X
Tracy W. Miller Sr	PERB		X	
Tom Foley	AFSCME		X	
Droy McGee	Mt. Police Assoc Mt. Chiefs Assoc		X	
John M. Dander	AMPE + PERB		✓	
LINDA KING	FOR EMPLE RET BD		✓	

Please leave prepared testimony with secretary.

Witness statement forms are available if you care to submit written testimony.



Committee on Public Employee Retirement Systems

54th Montana Legislature

EXHIBIT 1
DATE 2-4-97 Room 138 State Capitol
Helena, MT 59620-1706
HB 170 (406) 444-3064
FAX (406) 444-3036

SENATE MEMBERS
SUE BARTLETT
CHAIR
CASEY EMERSON
JOHN R. HERTEL
B.F. "CHRIS" CHRISTIAENS

HOUSE MEMBERS
BILL WISEMAN
VICE-CHAIR
PAT GALVIN
BETTY LOU KASTEN
CAROLYN SQUIRES

COMMITTEE STAFF
SHERI HEFFELFINGER
RESEARCHER
DAVID NISS
STAFF ATTORNEY
CHRISTEN TECCA
SECRETARY

REPORT ON HB 170

(Proposal #1 - Guaranteed Annual Benefit Adjustment for retirees)

This report is required under Section 5-21-105, MCA. The Committee on Public Employee Retirement Systems (CPERS) must report its recommendation on each proposal it reviews prior to each legislative session. This report must be attached to the actual bill if the proposal is introduced during the 1997 Legislative Session.

*** NOTE:** *This bill has been modified since considered by the Committee on Public Employees' Retirement Systems (CPERS). As originally presented, the GABA was to be given in conjunction with current postretirement adjustments (PRAs). However, the introduced bill repeals the current PRAs so that the GABA stands alone.*

Bill summary

The bill provides a 1.5% Guaranteed Annual Benefit Adjustment (GABA) for members of the Public Employees' Retirement System (PERS), the Sheriffs' Retirement System (SRS), the Municipal Police Officers' Retirement System (MPORS), the Highway Patrol Officers' Retirement System (HPORS), the Firefighters' Unified Retirement System (FURS), the Game Wardens' Retirement System (GWRS), and the Judges' Retirement System (JRS). The 1.5% increase proposed in this bill is not tied to the CPI. Originally, the GABA was proposed as a "floor" so that the GABA amounted to the difference between current postretirement adjustments (PRAs) and a minimum of 1.5%. This bill, however, repeals current PRAs, including the minimum benefit provisions in the JRS, HPORS, MPORS, and FURS, so that the GABA will be no more and no less than 1.5% for all retirees in all systems (except the Teachers' Retirement System).

The GABA is provided in exchange for certain other benefits that are "swapped" in order to pay for the GABA. The exchanges are different in each system. However, the benefits exchanged (i.e., taken away and replaced by the GABA) are benefits that affect a select group in each system. Overall, the exchanges equalize these benefits among the various systems.

A benefit can only be taken away if it is exchanged for another benefit that is of equal or greater value. In the PERS, GWRS, and SRS, the GABA is of equal or greater value so the "swaps" for the GABA will not be optional for current members. For the remaining systems (MPORS, HPORS, FURS, and JRS), the GABA may or may not be of equal or greater value, so current members of

those systems will have the option to elect not to be covered by the GABA. Nevertheless, all new members of each covered system hired after July 1, 1997, will automatically be covered.

Funding is provided through four mechanisms: (1) the benefit swaps, which result in savings to the systems that pay about 85% of GABA's cost; (2) increasing over a period of four years the employer and employee contribution rates; (3) increasing the amortization schedule for certain unfunded liabilities; and (4) delaying the GABA for three years (i.e., a retiree must be retired for at least 3 years before being eligible for the GABA.) There is no fiscal impact on local governments because the bill provides a general fund supplement to pay the increased employer costs.

Issue background

1. Cost-of-living and inflation

The issue underlying the GABA proposal is the ongoing serious erosion of fixed retirement incomes. The percent change in the Consumer Price Index (CPI) is generally used to gage the effects of inflation on income. During the last 20 years, the percent change in the CPI has ranged from a low of 1.9% between 1984 and 1985 and a high of 13.5% between 1979 and 1980. Averaging the percentage change in CPI from 1975 through 1995, the 20-year average change in CPI has been 5.3%.

2. Ad hoc vs. automatic

Some type of automatic cost-of-living adjustment (COLA) is provided in most other public retirement systems. According to a 1994 survey, 70% of the public plans included in the survey provided some type of automatic or "built-in" postretirement adjustment or COLA. Only 24 of the 85 plans surveyed still relied on ad hoc or money purchase postretirement adjustments. Ad hoc adjustments are expensive because they are a direct out-of-pocket expense. Ad hoc adjustments are not prefunded using contributions and investment earnings. Automatic adjustments save money because they are prefunded (i.e. "built-in").

Montana does have current provisions to provide for various types of PRAs for retirees. These current-law PRAs are summarized in a Table 8 of the 1996 working draft of the *Legislator's Guide*. Because these PRAs have not addressed the inflation issue, past Montana legislatures have also provided several ad hoc postretirement adjustments.

3. Taxation issues

With the U.S. Supreme Court's 1989 ruling in Davis v. Michigan, many states, including Montana, began taxing state retirement benefits that were previously exempt from taxes. Taxation of benefits has exacerbated the already serious problem of erosion in retirement income.

4. The benefit swaps

This section summarizes the benefit swaps in each system.

Public Employees' Retirement System

Under GABA, PERS members will have to begin paying the full actuarial cost of purchasing any additional service (one year of service for each five years of membership service, out-of-state service, and military service). This will equalize PERS provisions with the comparable provisions in each of the other retirement systems. This benefit swap for PERS will reduce the cost of GABA for PERS members by about \$4 million during the next biennium.

Judges' Retirement System

For JRS members, the cost of GABA will be partially paid by basing retirement benefits on the highest average consecutive 36 months of salary instead of on the current salary paid to the sitting judge in the position from which the member retired. This will be a significant benefit reduction for new JRS members, though it will not affect any current members who elect not to be covered by GABA. The swap will equalize JRS provisions with the other retirement systems whose members receive retirement benefits based on final average salary (PERS, SRS, HPORS, and GWRS).

Another benefit swap involving JRS will affect the amount of the balance of the retirement benefit to be paid to beneficiaries of "Option 1" retirees who die before they have received benefits equal to the actuarial value of the benefits on the day the member retired. Currently, beneficiaries of Option 1 retirees are paid the "actuarial equivalent of the original benefit". Under the GABA proposal, this will change so that beneficiaries will receive a lump-sum payment equal to the member's accumulated contributions at the time of retirement minus the retirement benefits received by the member, which is the same as is provided for under PERS and SRS.

The above two "swaps" in JRS are estimated to save more than \$700,000 during the next biennium. Because JRS is currently underfunded, according to the 1994 actuarial valuation, the actual net general fund savings is projected to be \$60,000 for the next biennium.

Another change to JRS included in this bill is "fixing" the chronic underfunding of JRS. Currently, a portion of certain court fees help fund benefits in JRS and are deposited directly to the pension fund. This bill provides that those court fees be deposited directly to the general fund and the state's general fund contributions are increased to provide the funding required to keep JRS fiscally sound. This "fix" is also provided as HB 61. [See the CPERS report on HB 61 - Wiseman.] If this GABA bill is passed and approved, then HB 61 will not be needed and will be void.

Game Wardens' Retirement System

The same swap as is proposed for JRS members and affecting Option 1 beneficiaries is proposed for GWRS beneficiaries. This swap is expected to save about \$86,000 during the next biennium.

Highway Patrol Officers' Retirement System

As previously mentioned, the benefit swap proposed for HPORS current members electing GABA coverage and all new members hired after the effective date of the act, will have to pay the full actuarial cost of purchasing military service. This will equalize HPORS provisions with the other retirement systems. This swap is expected to save about 20% of the cost of the GABA for HPORS members.

The bill will also take away the current minimum benefit provision and replace it with the 1.5% GABA. Under current law, HPORS retirees are paid a minimum benefit based on the current salary of the probationary patrol officer. Thus, when a retiree's benefit falls below the benefit that would be paid based on the probationary patrol officers' current salary, that retiree will receive a benefit increase so that the retiree's benefit will never fall below that amount. (It takes an average of 12 to 15 years for an officer who retired at sergeant's pay or above to become eligible for the minimum benefit adjustment.)

Sheriffs' Retirement System

The GABA proposal does not include a benefit swap for SRS members. The system has no unfunded liability and its current funding will support GABA with an amortization period well under 30 years.

Municipal Police Officers' Retirement System

The minimum benefit in MPORS will be replaced by the GABA. In MPORS the minimum benefit is based on 1/2 the salary of a newly confirmed officer.

Firefighters' Unified Retirement System

Similar to HPORS and MPORS, the FURS minimum benefit increase will be replaced by the GABA. Under FURS, the minimum benefit is based on 1/2 the salary of a newly confirmed firefighter.

Another proposed change is to actuarially fund the minimum benefit increases provided to members retired prior to July 1, 1973, or hired after July 1, 1981. This is projected to reduce expenditures from the state's insurance premium tax fund (and thereby increase state general fund revenues) by about \$1.05 million during the next biennium.

The third "swap" is that the calculation of retirement benefits in FURS for members covered by GABA will be based on final average salary (FAS), which is the highest consecutive 36 months of salary, instead of final monthly compensation (FMC). A member's FMC is almost always higher than FAS. This change is also made under Proposal #13 (LC 889) to help reduce the cost of increasing the basic benefit formula from 2% per year of service to 2.5% per year of service. The savings resulting from changing from FMC to FAS will have to be coordinated with LC 889.

CPERS report
February 3, 1997

Committee report

1. Public policy issues

The primary issues are the sufficiency of retirement income after retirement and whether and how to provide for postretirement benefit increases.

2. Effect on other retirement systems

The GABA will be the same (1.5%) for all members of each public employee retirement systems administered by the Public Employees' Retirement Board. Retirees in each system will have to be retired for at least 3 years before being eligible to receive the GABA.

COORDINATION NOTE: Proposal #10, forwarded by the Retired Police Officers' Association, provides for an increase in the minimum benefit provisions for members of the MPORS who retire at a rank of sergeant or above. The GABA proposal as it was initially reviewed by the CPERS would have provided the GABA as a floor (i.e., no member would receive less than 1.5% a year) and the minimum benefit increases would "kick in" if or when the total benefit amount was be less than the benefit provided based on 1/2 of a newly confirmed officers' salary (which is about 12 to 15 years after retirement for most MPORS retirees). However, because this HB 170 repeals the minimum benefits so that the GABA stands alone, Proposal #10 (as presented to CPERS), is, as of the writing of this report, now in conflict with this bill. [Please see the CPERS report for Proposal #10, LC 1113 - Sen. Doherty].

3. Fiscal implications

As previously mentioned, funding is provided through four mechanisms: (1) the benefit swaps; (2) increasing over a period of four years the employer and employee contribution rates; (3) increasing the amortization schedule for the unfunded liabilities; (4) requiring retirees to be retired for three years before receiving the GABA. There would be no fiscal impact on local governments because the bill provides a general fund supplement to pay the increased cost of the GABA.

The total biennial cost of \$42.4 million for the biennium as follows:

- > \$ 34 million by extending amortization schedules in PERS and MPORS;
- > \$ 7.4 million by exchanging benefits; and
- > \$ 3 million by increasing member, employer, and state contribution rates.

The net general fund cost for the biennium is \$974,800.

If this bill is passed, the \$859,382 required to "fix" the funding for the Judges' Retirement System in HB 61 will not be needed.

CPERS report
February 3, 1997

COMMITTEE RECOMMENDATION

The CPERS is required by statute to recommend that the legislature PASS or DO NOT PASS the proposal as presented to the CPERS. However, CPERS may also recommend amendments or further articulate the rationale behind its final recommendation.

A CPERS recommendation does not bind the full legislature to any particular course of action.

The CPERS voted 6 to 1 to recommend DO PASS on Proposal #1 (HB 170).

TESTIMONY IN SUPPORT OF
HB 170

EXHIBIT 2
DATE 2-4-97
HB 170

1.5% GUARANTEED ANNUAL BENEFIT ADJUSTMENT
on behalf of the
PUBLIC EMPLOYEES' RETIREMENT BOARD

Presented by Linda King,
Public Employees' Retirement Division

The 1993 Legislature enacted SB 192 which required the Public Employees' Retirement Board to "review the sufficiency of benefits paid by the system and recommend to the legislature those changes in benefits that may be necessary for retired members and their beneficiaries to maintain a stable standard of living." (19-2-404(9), MCA)

HB 170, the 1.5% GABA proposal is the Board's recommended change in benefits required to be brought to you by that 1993 law. The Board fully supports and recommends enactment of this particular proposal because it will guarantee benefit increases necessary to maintain a more stable standard of living, in a manner which will maintain the actuarial soundness of all the systems, and in the most cost-effective manner possible.

The 1997 GABA proposal is similar, although not identical, to a "GABA" proposal receiving very favorable consideration by the 1995 Legislature. That proposal included the Teachers' Retirement System and carried a \$5 Million general fund cost for the current biennium. Although overwhelmingly passed by both houses, it "died" in the final days of the session in order to provide funds for property tax relief. The 1997 1.5% GABA includes only the seven systems administered by the Public Employees' Retirement Board (TRS has a separate proposal) and a total general fund price tag of under \$1 Million for the coming biennium.

In the past, the Legislature enacted various "ad hoc" benefit increases (see list attached) for retirees because permanent, on-going increases were found to be too expensive. For example, a 1993 2% GABA proposal covering only PERS would have cost the state general fund more than \$8 Million in the coming biennium. This GABA proposal is different because it utilizes other mechanisms to help fund the guaranteed benefit adjustments -- for all 7 systems administered by the Public Employees' Retirement Board -- at only a fraction of the cost of the previous PERS proposal.

These other mechanisms, called "SAVINGS," include:

Funding Swaps. There are currently benefits provided in most of the systems which are not found in the other systems and which cost varying amounts which are paid by a portion of the current funding of the system. Such benefits can be "swapped" for a portion of the GABA, thus reducing the additional funding required for the GABA. These swaps will **save about \$4.5 Million** during the next biennium.

Excess System Funding. Two of the retirement systems covered by GABA are actually collecting contributions in excess of the amounts actuarially required to fund their current benefits. The excess amounts currently collected reduce the additional contributions required to fund GABA for those systems. This will reduce additional funding requirements by over **\$1.4 Million** during the next biennium.

Extending Amortization Periods. A portion of the contribution increases which would otherwise be required to fund GABA can be reduced in certain systems which are well-funded and have amortization periods well within accepted actuarial funding standards. This will have the effect of extending the amortization period of those systems' unfunded past service liabilities to periods well within the accepted standards for public pension systems. Amortizing PERS unfunded liabilities over 26 years and Municipal Police over 17.7 years will save over **\$32.4 Million** during the coming biennium.

Substituting GABA for Existing Post Retirement Increases. In several of the small systems there are minimum benefits which begin being paid, on the average, about 13 years after retirement. Once they begin, these increases average between 3% and 5% per year. The cost of funding GABA for new members, and current members and retirees who elect to be covered by GABA, will be offset by the costs of the former minimum benefits which will no longer be provided for these members.

The Judges' Retirement System currently has a very expensive automatic benefit increase mechanism. JRS retirees get increases at the same time and in the same percentage as active members (which has averaged about 6% over the past 20 years). Covering all new members by the 1.5% GABA instead of the current 6% increases will substantially reduce the costs of that system. **This one change alone will save \$780,000 during the next biennium -- which is over 90% of the GF costs required to actuarially fund the JRS (HB 61).**

Total savings associated with substituting GABA for other benefit increase mechanisms will total over **\$1 Million** during the next 2 years.

The bottom line savings resulting from the forgoing savings mechanisms will "pay" 90% of the total costs of GABA, which would otherwise fall on taxpayers and members. The remaining 10% will be divided among employers and employees. Direct state general fund contributions will subsidize local government and school district employers costs thus limiting impacts to well under 1/10 mill beginning in July 1999, thereby **eliminating any dollar impact of the GABA on local taxpayers.**

Total state general fund costs (which includes employer costs for state and university system employees and the direct subsidy to local government and school district employers) is projected at \$974,800 for the coming biennium and about \$1.5 Million for the following biennium when employer costs are fully phased in all systems. This level of state General Fund commitment is significantly less than the \$7 Million required to fund the 2.5% "Make Whole" benefit adjustment for these same 7 retirement systems which you heard yesterday.

In closing, I can assure you that:

- This particular proposal has been carefully crafted to take advantage of real savings which can only occur when a benefit of equal or greater value can be substituted.
- We have "swapped" only those benefits which have increased the differences (and therefore been prime candidates for "leap-frogging") between the various systems, with the GABA as one uniform benefit which will be used by members of all the systems.

The GABA proposal goes beyond providing absolutely necessary benefit increases in the most cost-effective manner possible. The added benefit of this particular proposal is that it also serves to level the playing field and reduce the current disparities between the systems -- which will save taxpayer dollars in the future because "leap-frogging" will be virtually eliminated.

On behalf of the Public Employees' Retirement Board, I urge your favorable consideration of this proposal which meets the Board's requirements as an actuarially funded, equitable, and necessary benefit for all the members of all the public retirement systems they administer. Given the fact that HB 170 will both provide a 1.5% GABA for members of all systems and remedy the actuarial funding requirements for the Judges Retirement System at a biennial general fund cost of only \$116,000 more than HB 61 (actuarially funding JRS without GABA changes) **we really can't afford to say no this time.**

Ad Hoc COLA's and Minimum Benefit Adjustments.

1971	First TRS ad hoc COLA	
1973	TRS ad hoc COLA	
1975	First PERS ad hoc COLA	\$1/mo/yr of service + \$2/mo/yr retired (paid for by increasing employer contribution rates)
	TRS ad hoc COLA	
1977	PERS ad hoc COLA	75% of CPI index change (paid for by increasing employer contribution rates)
	TRS ad hoc COLA	Monthly retiree benefits increased by \$1/mo/yr of service + \$2/mo/yr retired (paid for by increasing employer and employee contribution rates; a later challenge and decision by the Montana Supreme Court later repealed the employee contribution rate increase. Employee contributions can not be increased to pay for an ad hoc COLA since the employee will never receive a benefit increase from an ad hoc COLA)
1979	PERS ad hoc COLA	Retiree monthly benefits increased by .45% for each month the benefit was payable between 1/1/77 and 12/31/78. (No increase in employer contributions was provided; therefore, the period for amortizing the system's unfunded liabilities was extended.)
1981	ad hoc COLA -- all systems	Retirees monthly benefits increased by 50 cents/year of service, adjusted for early retirement or optional benefits chosen (paid by increasing employer contribution rates)
1983	PERS ad hoc COLA	Monthly retiree benefits increased by \$1/year of service credit (up to a maximum of \$30) for members retired before 7/1/81; or by \$.50/year of service credit (up to a maximum of \$15) for members retired on or after 7/1/81 but before 1/1/83. (Paid for by increasing employer contribution rates)
	FURS	Minimum Supplemental Benefit extended to retired members hired prior to 7/1/81 (actuarially funded)
1985	TRS ad hoc COLA	Monthly retiree benefits between \$500 and \$1000 were increased by \$.50/year of service; benefits less than \$500 were increased \$1/year of service. Minimum monthly benefit of \$400/month for persons retired before 7/1/71 with at least 30 years of service and was at least 60 at time of retirement. (actuarially funded)
	PERS ad hoc COLA	Monthly retiree benefits increased by a formula, up to a maximum increase of \$3/month. Monthly benefits of \$1,000 per month or more did not receive an increase. (actuarially funded by increased employer contributions)
	SRS ad hoc COLA	Monthly benefits increased 5% for retirements on or before 7/1/85
	HPORS Minimum Benefit	Established a minimum level of benefits payable to retirees (actuarially funded through system with increased employer contribution rates)
	MPORS Minimum Benefits	Provided for minimum benefit adjustments for post 7/1/85 retirees (to be funded directly from state's insurance premium tax fund, which is a direct offset to general fund revenues)

1987	PERS Ad Hoc COLA	Provided for 5.5% permanent increases for persons retired prior to 7/1/86 (not funded -- therefore increased amortization period of system's unfunded liabilities)
1989	Permanent Annual Post Retirement Adjustment (PRA) for PERS, TRS, GWRS, and SRS	Automatic permanent increases tied to investment earnings above the 8% actuarially required yield.
	GWRS Ad Hoc Minimum Benefit Adjustment	One-time increase for all retirees to a minimum equal to 60% of the current pay of newly hired game warden. (Paid for by extending amortization period of the system's unfunded liabilities)
	FURS Supplemental Benefit Adjustment	Supplemental Benefit fund established for members hired on or after 7/1/81 (Funding from state insurance premium tax fund as a direct offset to general fund revenues)
1991	Annual Lump Sum Benefit Adjustment for in-state retirees -- All Systems	Once/year payments to resident retirees to offset new taxable status of benefits (ended in 1993 when Supreme Court ruled this benefit an unconstitutional tax-offset measure) (Payments made directly from general fund to retirement boards for distribution to eligible retirees)
	HPORS Annual Lump Sum Distribution	Additional payments made once per year to pre-7/1/91 retirees funded through 25 cent increase in drivers license fees
1993	PERS Ad Hoc COLA	5% permanent benefit increase (no additional funding provided; therefore, the amortization period of system's unfunded liabilities was extended)



Montana Education Association

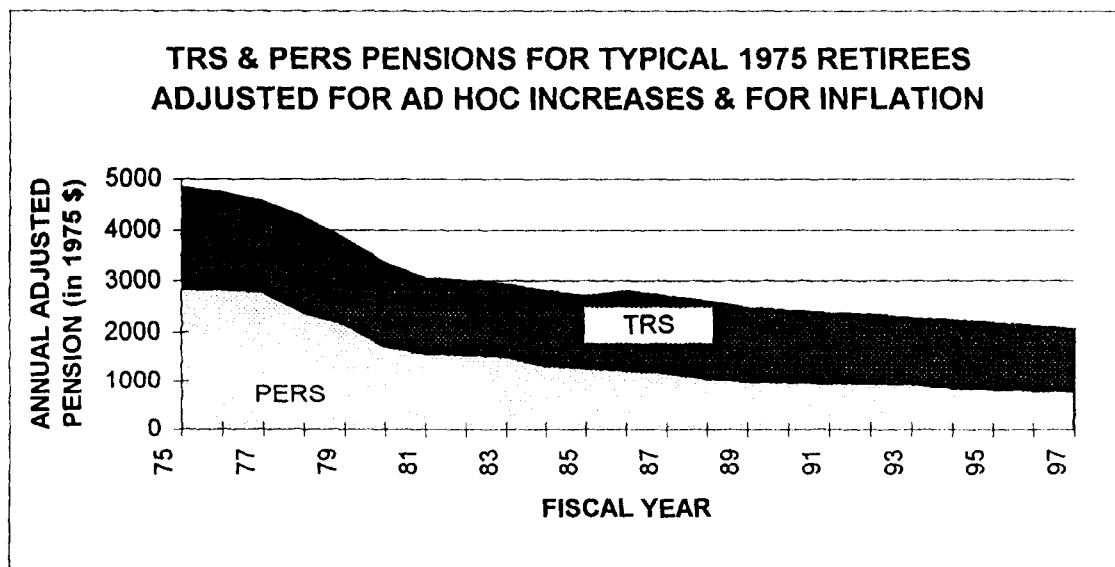
1232 East Sixth Avenue • Helena, Montana 59601 • 406-442-4250
1-800-398-0826 (Toll-free) • Fax: 406-443-5081

EXHIBIT 4
DATE 2-4-97
HB 170

***THE CONTINUING NEED FOR
MONTANA PUBLIC PENSION
GUARANTEED ANNUAL BENEFIT ADJUSTMENTS***
***IN SUPPORT OF HB170 – PERS/GABA
BEFORE THE HOUSE STATE ADMINISTRATION CMTE***

**Tom Bilodeau -- MEA Research Director
February 4, 1997**

Even with occasionally enacted (“ad hoc”) pension benefit adjustments, the “average” Montana Public Employee Retirement System (PERS) employee who retired in 1975 with 20+ years of public service, will this year receive only a little more than \$300 per month in PERS benefits. During the same twenty-two year period, inflation has reduced the buying-power of a typical 1975 Teacher Retirement System (TRS) retiree’s pension in half. Indeed, for TRS since 1975, occasionally enacted ad-hoc pension adjustments to TRS benefits have provided benefit adjustments in only seven of twenty-two years; and in only one of these years (FY86) did the ad-hoc adjustment provide a benefit increase that matched or exceeded that single year’s annual cost of inflation. (See: graph below and the data table on the back.)



In simple fact, after a career's worth of service to the people of Montana, a public retiree's first pension check was his/her largest; thereafter every pension dollar has been devalued (almost without check) by the ravages of inflation. The situation was made worse following the legislature's imposition of state income taxation on pension benefits since 1993. The erosion of pension buying-power is a serious, obvious and continuing problem with the basic structure of Montana's PERS and TRS retirement programs. And it's a problem that has been acknowledged by the legislature since the early 1980s. The time to address this issue is long overdue. MEA and PEPSCo urge this Committee to vote "do pass" and the Legislature to enact HB170.

-MEA-

TRS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
IMPACT ON AN "AVERAGE" 1975 TRS RETIREE WITH 25 YRS SERVICE

Jan-97

YEAR	AVERAGE FY75 RETIREE BENEFIT \$	AD HOC BENEFIT ADJUSTMENT	ANNUAL BENEFIT WITH AD HOC \$	% CHANGE ANNUAL BENEFIT		--- INFLATION --- 1975 \$ PURCHASE CPI-U POWER	INFLATION ADJUSTED BENEFIT \$ IN 1975 \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION
1974-75	\$4,832	BASE	\$4,832	BASE		BASE BASE	\$4,832	BASE	---
1975-76		FORMULA (+\$145)	\$4,977	3.00%		5.8 0.947	\$4,713	(\$119)	
1976-77		FORMULA (+\$149)	\$5,126	3.00%		6.5 0.886	\$4,642	(\$290)	
1977-78		0	\$5,126	0.00%		7.6 0.825	\$4,229	(\$603)	
1978-79		0	\$5,126	0.00%		11.3 0.744	\$3,814	(\$1,018)	
1979-80		0	\$5,126	0.00%		13.5 0.651	\$3,337	(\$1,495)	
1980-81		0	\$5,126	0.00%		10.3 0.594	\$3,045	(\$1,787)	
1981-82		FORMULA (+\$262)	\$5,388	5.11%		6.2 0.555	\$2,990	(\$1,842)	
1982-83		0	\$5,388	0.00%		3.2 0.541	\$2,915	(\$1,917)	
1983-84		0	\$5,388	0.00%		4.3 0.519	\$2,797	(\$2,035)	
1984-85		0	\$5,388	0.00%		3.6 0.501	\$2,700	(\$2,132)	(\$42,766)
1985-86		FORMULA (+\$300)	\$5,688	5.57%		1.9 0.491	\$2,793	(\$2,039)	
1986-87		0	\$5,688	0.00%		3.6 0.473	\$2,691	(\$2,141)	
1987-88		0	\$5,688	0.00%		4.1 0.456	\$2,594	(\$2,238)	
1988-89		0	\$5,688	0.00%		4.8 0.434	\$2,469	(\$2,363)	
1989-90		"PRBA" (+\$133)	\$5,821	2.34%		5.4 0.414	\$2,410	(\$2,422)	
1990-91		"PRBA" (+\$145)	\$5,966	2.49%		4.2 0.396	\$2,363	(\$2,469)	
1991-92		"PRBA" (+\$120)	\$6,086	2.01%		3.1 0.384	\$2,337	(\$2,495)	
1992-93#	TAX-\$100	"PRBA" (+\$97)	\$6,083	-0.05%		3.2 0.372	\$2,263	(\$2,569)	
1993-94		"PRBA" (+\$68)	\$6,151	1.12%		2.7 0.362	\$2,226	(\$2,606)	
1994-95		"PRBA" (+\$0)	\$6,151	0.00%		2.7 0.352	\$2,166	(\$2,666)	
1995-96		"PRBA" (+\$0)	\$6,151	0.00%		2.5 0.343	\$2,112	(\$2,720)	
1996-97*		"PRBA" (+\$0)	\$6,151	0.00%		3.3 0.332	\$2,043	(\$2,789)	---

SOURCE DATA: TRS FILES & US-DOUBLS (JUNE-1975 \$ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.3% FOR 1997 (CPI-U PROJECTED AT +3.3% PER YEAR).

IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

-MEA-

PERS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
IMPACT ON AN "AVERAGE" 1975 PERS RETIREE WITH 20 YRS SERVICE

Jan-97

YEAR	AVERAGE FY75 RETIREE BENEFIT \$	AD HOC BENEFIT ADJUSTMENT	ANNUAL BENEFIT WITH AD HOC \$	% CHANGE ANNUAL BENEFIT		--- INFLATION --- 1975 \$ PURCHASE CPI-U POWER	INFLATION ADJUSTED BENEFIT \$ IN 1975 \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION
1974-75	\$1,993	BASE	\$1,993	BASE		BASE BASE	\$1,993	BASE	---
1975-76		0	\$1,993	0.00%		5.8 0.947	\$1,887	(\$106)	
1976-77		0	\$1,993	0.00%		6.5 0.886	\$1,766	(\$227)	
1977-78		FLAT % (+\$331)	\$2,224	11.57%		7.6 0.825	\$1,834	(\$159)	
1978-79		0	\$2,224	0.00%		11.3 0.744	\$1,654	(\$339)	
1979-80		FLAT % (+\$240)	\$2,464	10.80%		13.5 0.651	\$1,604	(\$389)	
1980-81		0	\$2,464	0.00%		10.3 0.594	\$1,463	(\$530)	
1981-82		FORMULA (+\$120)	\$2,584	4.87%		6.2 0.555	\$1,434	(\$559)	
1982-83		0	\$2,584	0.00%		3.2 0.541	\$1,398	(\$595)	
1983-84		FORMULA (+\$240)	\$2,824	9.29%		4.3 0.519	\$1,466	(\$527)	(\$11,298)
1984-85		0	\$2,824	0.00%		3.6 0.501	\$1,415	(\$578)	
1985-86		FORMULA (+\$324)	\$3,163	12.00%		1.9 0.491	\$1,553	(\$440)	
1986-87		0	\$3,163	0.00%		3.6 0.473	\$1,498	(\$497)	
1987-88		FORMULA (+\$174)	\$3,337	5.50%		4.1 0.456	\$1,621	(\$472)	
1988-89		0	\$3,337	0.00%		4.8 0.434	\$1,448	(\$545)	
1989-90		"PRBA" (+\$71)	\$3,408	2.13%		5.4 0.414	\$1,411	(\$582)	
1990-91		"PRBA" (+\$77)	\$3,485	2.26%		4.2 0.396	\$1,380	(\$613)	
1991-92		"PRBA" (+\$58)	\$3,543	1.67%		3.1 0.384	\$1,360	(\$633)	
1992-93#	TAX -\$100	"PRBA" (+\$46)	\$3,489	-1.52%		3.2 0.372	\$1,298	(\$695)	
1993-94	+5% AD HOC	"PRBA" (+\$50)	\$3,713	6.42%		2.7 0.362	\$1,344	(\$649)	
1994-95		"PRBA" (+\$0)	\$3,713	0.00%		2.7 0.352	\$1,308	(\$685)	
1995-96		"PRBA" (+\$0)	\$3,713	0.00%		2.5 0.343	\$1,275	(\$718)	
1996-97*		"PRBA" (+\$0)	\$3,713	0.00%		3.3 0.332	\$1,233	(\$760)	---

SOURCE DATA: PERS FILES & US-DOUBLS (JUNE-1975 \$ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.3% FOR 1997 (CPI-U PROJECTED AT +3.3% PER YEAR).

IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

EXHIBIT 5
DATE 2-4-97
HB 170

Amend HB 170 as follows:

Page 26, line 30, before the period insert the words "except Section 11 which is effective July 1, 1998"

Explanation

This amendment gives employees who are eligible to purchase additional PERS service, under the provision allowing one year of purchased service for every 5 years of actual service, until July 1, 1998 to do so under the existing purchase rate. Without this amendment such employees will have only about 2 months after the legislative session to arrange to purchase under the existing law. Since the purchase often involves substantial sums requiring the mortgaging of a home it may in some cases be difficult to arrange in such a short time. This extension would allow one extra year to purchase under the existing law and would assure that no one was denied the opportunity because of some slowness in processing a loan from a bank or some other delay beyond the employee's control. The legislature put an identical provision in the proposed 1995 GABA bill for this very reason.

EXHIBIT 6
DATE 2-4-97
HB 170

Leonard DeVore
Street & Park Superintendent
City of Polson
PO Box 276
Big Arm MT 59910-0276

February 2, 1997

RE: HB 170
Section 11

Dear Chairperson & Members of the Committee,

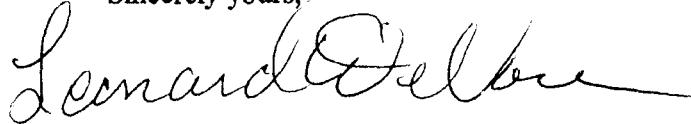
I have worked for the City of Polson for 24 years. It is my intent to retire on November 1st of this year. I am currently in the "1 for 5" program. I plan on buying my last year when I complete my 25 years on October 31st. According to PERS, this cost will double if this bill passes. This could effect my ability to retire this November.

I feel this change, when I am only nine months from retirement, is a hardship that should not occur. At some point, when close to retirement, a person needs to feel that the rules will not be changed on him or her at the last minute.

Please take those already involved in this program into consideration.

Thank you for your.

Sincerely yours,

A handwritten signature in cursive script that reads "Leonard DeVore". The signature is fluid and extends across the width of the page.

Leonard DeVore

CHAIR AND MEMBERS OF THE COMMITTEE:

As you consider the merits of HB170 and decide whether or not to give it a do pass, please take into account the following:

-Military service under Section 9 of this bill (19-3-503(1b) , MCA) is being changed in such a way that the cost to buy back military service will be increased by as much as 3 to 4 times the rate at what is currently being charged. For veterans with many years of service to the state and who have not yet purchased their military service because of financial reasons, the payment of this much higher amount will be prohibitive. Why should they be forced to pay at 3-4 times the rate that other veterans have?

-The Teachers' Retirement system has allowances for retirement credit for veterans under 19-24-404, MCA. This law gives up to 4 years credit (no cost to the veteran) to veterans who served during the Korean and Vietnam conflicts. ~~There are no proposed changes in HB170 for purchase of military time in the teacher's retirement system.~~ THE BASIC QUESTION HERE IS: why are public employees (state employees and teachers) credit for military time treated so radically different? One retirement system requires members to purchase years of military time (at perhaps 3-4 times the current rate of purchase if HB170, as written, is passed) and the other retirement system gives years of service if the members served during the above time periods. The bottom line is, public employees should be treated equally and fairly.

-Certainly, PERS must consider the costs of the retirement program and make suggested changes to the legislature to insure its fiscal stability. The cost of allowing credit for military time must be borne by either the veteran, the public, the retirement system itself, or all three. However, treating veterans differently in public retirement programs makes no sense at all.

With the above in mind, I would offer the following options, in order of preference, to amend HB170:

OPTION 1

Amend Section 9 of HB170 to reflect the language that is currently in place in the Teacher's retirement system as reflected in 19-20-404, MCA.

Option 2

Delete Section 9 from the bill thereby leaving the current statutory language intact.

Option 3

Amend line 14 and 15 of Section 9 of this bill to include an exception for those Veterans who served during the Korean and Vietnam conflicts indicating time periods the same as those mentioned in 19-20-404 (1), MCA. For those veterans who served during those time periods, the calculation would remain the same as the law currently reads and for all others, the calculation would be based on the suggested changes in HB170 in Section 9.

Please note that the same changes proposed for members of PERS regarding military time are also proposed for the highway patrol retirement system under Section 21 of this bill. Again, this would treat another group of public employees-members of the highway patrol-differently than those members of the teacher's retirement system.

I urge this committee to choose option 1 so that veterans who served during the Korean and Vietnam conflicts be treated equally in all public retirement systems and in the public jobs they now hold. Thank you for your consideration on this issue. I believe that most veterans and highway patrol members would support these comments and recommendations.

Sincerely,



Michael C. Noble
Veteran
State employee
305 E. Cutler
Helena, Mt 59601
442-2719

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN MATT DENNY**, on March 7, 1997, at 9:00 a.m., in room 420.

ROLL CALL

Members Present:

Rep. Matt Denny, Chairman (R)
Rep. Matt Brainard, Vice Chairman (Majority) (R)
Rep. Antoinette R. Hagener, Vice Chairman (Minority) (D)
Rep. Darrel Adams (R)
Rep. Haley Beaudry (R)
Rep. Tim Dowell (D)
Rep. Harriet Hayne (R)
Rep. Sam Kitzenberg (R)
Rep. Norm Mills (R)
Rep. Doug Mood (R)
Rep. William Rehbein, Jr. (R)
Rep. Trudi Schmidt (D)
Rep. Dorothy C. Simpson (D)
Rep. Allan Walters (R)
Rep. Bill Whitehead (D)

Members Excused: Rep. George Heavy Runner (D)

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Services Division
Keri Burkhardt, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 340, SB 344; (2/5/97)
Executive Action: HB 170, HB 112, HB 458, HB 459, SB 220.

HEARING ON SB 344

Opening Statement by Sponsor: SEN. JOHN HARP, S.D. 42.
{Tape: 1; Side: a; Approx. Time Count: .3; Comments: None.}

Proponents' Testimony:

Rep. Vicki Cocchiarella, H.D. 64.
{Tape: 1; Side: a; Approx. Time Count: 2.3; Comments: None.}

Beth Baker, Department of Justice.

{Tape: 2; Side: a; Approx. Time Count: 15.5; Comments: None.}

Questions From Committee Members and Responses:

{Tape: 2; Side: a; Approx. Time Count: 19; Comments: None.}

Closing by Sponsor: SEN. GROSFIELD closes.

{Tape: 2; Side: a; Approx. Time Count: 29.9 through 3.9 (2/b);
Comments: None.}

EXECUTIVE ACTION ON HB 170

AMENDMENT: hb017001.ash

Motion: REP. MOOD MOVED TO RECONSIDER ACTION ON HB 170. Motion carried 15-1. Rep. Rehbein voted no. REP. MOOD MOVED DO PASS.

{Tape: 2; Side: a; Approx. Time Count: 4.6; Comments: None.}

Motion: REP. DENNY MOVED TO AMEND (hb017001.ash).

{Tape: 2; Side: a; Approx. Time Count: 8.1; Comments: None.}

Discussion:

Linda King, Public Employees Retirement Division, answered questions.

{Tape: 2; Side: a; Approx. Time Count: 9.1; Comments: None.}

Vote: Motion carried 16-0.

{Tape: 2; Side: a; Approx. Time Count: 9.3; Comments: None.}

Motion: REP. DENNY MOVED DO PASS AS AMENDED.

{Tape: 2; Side: a; Approx. Time Count: 9.5; Comments: None.}

Vote: Motion carried 14-2. Rep. Mills and Rep. Rehbein voted no.

{Tape: 2; Side: a; Approx. Time Count: 10.3; Comments: None.}

EXECUTIVE ACTION ON HB 112

Amendments: hb011201.ash

Motion: REP. HAGENER MOVED TO RECONSIDER ACTION. Motion carried 15-1. Rep. Rehbein voted no.

{Tape: 2; Side: b; Approx. Time Count: 11.4; Comments: None.}

Motion: REP. HAGENER MOVED DO PASS.

{Tape: 2; Side: b; Approx. Time Count: 11.8; Comments: None.}

Motion: REP. BRAINARD MOVED TO AMEND (hb011201.ash)

{Tape: 2; Side: b; Approx. Time Count: 12.1; Comments: None.}

Motion: REP. HAGENER MOVED TO AMEND THE AMENDMENT.

{Tape: 2; Side: b; Approx. Time Count: 16.4; Comments: None.}

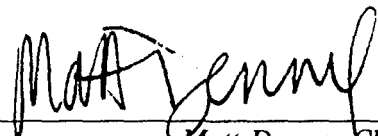


HOUSE STANDING COMMITTEE REPORT

March 7, 1997

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that **House Bill 170** (first reading copy -- white) **do pass as amended.**

Signed: 
Matt Denny, Chair

And, that such amendments read:

1. Title, line 7.

Following: " ; "

Insert: "DEFINING "ACTUARIALLY SOUND BASIS" ; "

2. Page 5.

Following: line 11

Insert:

"NEW SECTION. **Section 5. Systems to be funded on actuarially sound basis -- definition.** As required by Article VIII, section 15, of the Montana constitution, each system must be funded on an actuarially sound basis. For purposes of this section, "actuarially sound basis" means that contributions to each system must be sufficient to pay the full actuarial cost of the system. The full actuarial cost includes both the normal cost of providing benefits as they accrue in the future and the cost of amortizing unfunded liabilities over a scheduled period of no more than 30 years."

Renumber: subsequent sections

3. Page 26.

Following: line 28

Insert: "(5) [Section 5] is intended to be codified as an integral part of Title 19, chapter 2, and the provisions of Title 19, chapter 2, apply to [section 5]."

-END-

Committee Vote:
Yes 14, No 2.

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MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By CHAIRMAN DON HARGROVE, on March 18, 1997, at 10:00 a.m., in Room 331.

ROLL CALL

Members Present:

Sen. Don Hargrove, Chairman (R)
Sen. Kenneth "Ken" Mesaros, Vice Chairman (R)
Sen. Vivian M. Brooke (D)
Sen. Delwyn Gage (R)
Sen. Fred Thomas (R)
Sen. Bill Wilson (D)

Members Excused: None

Members Absent: None

Staff Present: David Niss, Legislative Services Division
Mary Morris, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 170, 3/13/97
Executive Action: HB 90, BCI; HB 91, BCI;
HB 496, BCI; SR 15, A

HEARING ON HB 170

Sponsor: REP. CHRIS AHNER, HD 51, HELENA

Proponents: Linda King, Public Employees Retirement Board
Tom Schneider, President, PEPSCO
Tom Bilodeau, Research Director, Montana Education Association, and Secretary/Treasurer of PEPSCO
Terry Minow, Montana Federation of Teachers, State Employees & Health Care Employees
Verner Bertelsen, Montana Senior Citizens Association
Pat Clinch, Montana State Council of Professional Fire Fighters, Montana State Fireman's Association
Warren Brass, Chairman, Legislative Committee of AMPRE

Proponents **Terry Teichroe, President, Public Employees**
(continued): **Retirement Board**
 Mike Noble, Employee, Department of Revenue
 John Denherder, East Helena

Opening Statement by Sponsor:

REP. CHRIS AHNER, HD 51, HELENA, stated that, from the early 1970's to the present, there have been *ad hoc* windfalls "leap-frogging" among the retirement systems with the employer carrying the costs. The employer being the state taxpayer. HB 170 will pay a modest 1.5% increase in retirement benefits to over 16,000 city/county school district and state public retirees and will allow more than 30,000 active employees to begin putting away their own contributions to prefund those 1.5% increases they will receive when they retire. More than 85% of the costs will be paid by funding and existing liability "swaps" within and between the systems - 6.5% of the costs will be paid by employee's contributions to prefund their own post-retirement benefit increases - 7.6% will be paid by employer contribution increases. The State General Fund share will be less than 3.2% of the cost. "Swaps" of current state and local government obligations to fund windfall benefits in the systems, will pay 44% of the total out-of-pocket costs of the PERS Guaranteed Annual Benefit Adjustments (GABA). Those windfall benefits are what caused the "leap-frogging" of benefits in systems now. We can't just get rid of them, but we can exchange them for the GABA. It's about \$7 million in the next biennium. We're already on the hook to pay for a good part of GABA, so this is a solution to that problem. Without GABA, we would spend about \$1.2 million from the State General Fund during the next biennium. Just to fix the actuarial funding required for the judges, the police, and the firefighters and that amount will increase annually for 30 years. What we need to fund the judges retirement system is approximately \$859,000. What we have for the seven retirement systems with GABA is \$974,000 and that fixes the judges as well. The GABA remedies those problems at less cost plus provides post retirement benefits for all current and future retirees. GABA will cost less, completely eliminates the unfunded liabilities of the judges system and substantially reduces those unfunded liabilities in the municipal police and firefighters systems. The remaining cost to GABA for current retirees is less than 1/5 of the additional state income taxes paid each year by the current retirees. Those public retirees will be funding their own benefit increases with the taxes they now pay on their benefits. GABA will not make it much harder to convert from the PERS to a defined contribution plan in the future should the State decide to go in that direction. The legislature has not already decided to convert to this plan and HB 90 does not direct such a provision. This is an obligation that the State has and cannot get off the hook. GABA is similar to a mortgage. We in the past have done this every two years, so it's like remortgaging your house every two years. First it's taking out

the 26 year mortgage where it will eventually pay for itself. The Governor supports HB 170. **SPEAKER RON MERCER** indicated that he tried very hard to find fault with it and could not. I encourage you to support HB 170.

Proponents' Testimony:

Linda King, Public Employees' Retirement Board (PERB), supplied handouts and explains: GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA) Legislation Proposed by the Public Employees' Retirement Board February 1997 (EXHIBIT #1) and testimony (EXHIBIT #2).

Tom Schneider, President, PEPSCO, explains PEPSCO is a coalition of organizations which include the Montana Education Association, the Association of Montana Retired Public Employees, the Montana Public Employees' Association, the Montana Retired Teachers and School Personnel Association, the Montana Federation of Teachers and State Employees, and the American Federation of State County and Municipal Employees. We are a coalition of people who started six years ago to address the situation that occurred when the legislature, because of a U.S. Supreme Court decision, decided that retired state employees would have to pay taxes on their benefits. Something they had been told for a total lifetime would never occur. When SB 226 passed, it also included a provision which we construed to be a make-over which simply said that the retirees would get a payment of 2.5% to offset the fact that they would have to pay taxes that they were promised they wouldn't have to pay. A year later, the Montana Supreme Court ruled that provision was unconstitutional and the retirees lost the payment. Ultimately what happened is, now we tax the employees but they don't receive anything in return. We approached this session of the legislature basically with two different ideas. One was HB 324, which simply would have re-instituted a new make-over provision, not a direct reimbursement but it would have been a permanent retirement increase based on the taxes that were being paid. That had an annual cost of about \$7 million, a biennial cost of \$14 million. The House didn't seem to like that approach too much, so they excepted our other approach which is HB 170 - the GABA proposal from two years ago. **Linda King (PERB)** has adequately and fully explained GABA. From my standpoint, I do have to tell you that some of these compromises to some of these benefits are not without pain. We tried to get the House Committee to set back the time period for one year to buy the one-for-five so it would allow people an extra year to buy. We tried on the Floor to set that back for six months, obviously both of those were not acceptable in the House. They are not included in the bill, so employees in that situation are now faced with buying that service between now and July 1. Quite frankly, they still do have time to buy the service at the lower rate and we will make sure they are notified of that and have the opportunity to do that. The one thing **Linda King (PERB)** did not mention is that employees hired after 1989 currently do not have the right to buy one-for-five service and this bill will allow them to buy the one-for-five service.

Although we may have added some costs to some people who have waited, this bill will now allow people who currently cannot buy one-for-five service to buy the service. We would have liked to have seen a little extra time but at this point, we simply do not want to see this bill amended and go back to the House again. I would ask that you concur in HB 170. The next twenty years, if we look at this bill relative to doing ad hoc increases, we'll save millions of dollars and I think it's to the benefit of everyone.

Tom Bilodeau, Research Director, Montana Education Association, and Secretary/Treasurer, PEPSCO (MEA & PEPSCO), supplies (EXHIBIT #3) PERS GUARANTEED ANNUAL BENEFIT ADJUSTMENTS (GABA) and explains. He closes stating this is a very good bill and MEA and PEPSCO urge a Do Pass vote without amendment at the earliest possible date.

Terry Minow, Montana Federation of Teachers, State Employees and Health Care Employees (MFT/MFSE), states we strongly support HB 170. This bill is absolutely crucial to maintaining an adequate level of retirement of benefits for our members. Members who work in the public schools as classified staff, members who work in the vo-techs as classified staff, members who work for the State and who work for the Counties and nursing homes. We ask that you give HB 170 a speedy do pass recommendation as it stands today.

Verner Bertelsen, Montana Senior Citizens' Association, states we stand in strong support of HB 170. As I said in the hearing before the House Committee, I don't think anyone of you can sit here and say that the Public Employees in the State of Montana have gotten a fair shake over the past few years in their retirements. They certainly have not met or anywhere near met the cost of living increase. This is an essential piece of legislation and besides that, it's an excellent piece of legislation. You have been given a beautiful package. It helps you do a lot of things very, very easily as far as state financing is concerned. The only thought I'd like to add to this is, I hope you don't go home feeling completely happy if you don't end-up doing something for the teachers in the State of Montana.

Pat Clinch, Montana State Council of Professional Firefighters and The Montana State Firemans' Association, states Montana's professional firefighters are covered by the Firefighters' Unified Retirement System and those covered by Public Employees' Retirement System do support the provisions of HB 170. We feel that by passing this bill, you will eliminate future costly ad hoc retirement adjustments. If this bill had been enacted years ago, Public Employee Retirees would not have to come to the legislature and beg for retirement increase. We need this bill for our retired members today and our current members in the future.

{Tape: 1; Side: 1; Approx. Time: 10:49 a.m.; Comments: End of Tape 1, Side A.}

Warren Brass, Chairman, Legislative Committee of AMPRE, states he represents 3,600 retired state employees and they see this bill simply as a fairness issue. We have a 3% inflation rate in this country at this time, 2.9% according to social security. We are asking for half of that - 1.5%. We certainly don't see this as an end to all things but certainly this would be a great help to the retired state employees. One other issue that has not come up at this time is, most of these people have state health insurance when they retire. You in the legislature fund that for the current employees. That's projected to be \$20 this coming year, starting September 1; \$25 in the following year on September 1. The state retirees get nothing so we are out another \$20 the first year and \$25 the second year. An average of \$300 of state retirement which takes a very large percentage. AMPRE and would I appreciate your vote on HB 170.

Terry Teichrow, President, Public Employees' Retirement Board, explains that when we first started talking about this issue last year, I guess you would call it developing a strategy of how we were going to get a bill in front of you successfully that we had lost the session before. We heard sadly from individuals that tell us because of their particular situation of how they retired or what level they retired at, they have never had an increase in their retirement at all. Many people are in that situation and it became a priority of the Board's to try and pass a bill. We look very critical at those not funded and we don't like to support them and generally don't support them. But we listened to the individuals that have come to us that have asked us to support this bill again this year. I would just pass on to you for their sake and from the other members of the board, that you make this issue a priority rather than a back burner.

Mike Noble, Employee of the Department of Revenue (DOR), states he is testifying on his own behalf and on his own time. He further states he is not in opposition to the bill but would like the Committee's attention to a concern he has regarding military service under Section 10. See testimony (EXHIBIT #4). **Mr. Noble's** brother-in-law, **Leonard DeVore** from Big Arm, Montana, requested that he give the Committee his written testimony at this time (EXHIBIT #5).

John Denherder, East Helena, declares that he is a veteran of three wartime eras, three uniform services, a disabled American veteran, a professional veteran, and a military retiree. He states that he would gladly relinquish any rights to benefits to see this GABA bill pass.

Questions From Committee Members and Responses:

SEN. KEN MESAROS, inquires about one of the handouts by **Ms. King (PERB)**. There are some key words concerning "swaps" and "use of

excess system funding." Any time you use "swaps" there are some winners and losers. Can you briefly review that again? **Ms. King (PERB)** explains that what happens in the "swaps" and I'll address the issue of **Mr. Noble's**. Military time, by paying the full actuarial cost, could in fact cost an individual more, especially if they waited right until retirement. However, when you calculate what their return is on their investment, for purchasing that service now, and what it would be with GABA, increasing their benefit every year after three years of retirement by another 1.5%, their yield on their investment actually goes up. So no one loses really on that "swap." If it's twice as much as he wanted to invest, he could buy half as much and still get a higher yield than they would without GABA. So in terms of the "swaps" in PERS or the other systems, because of GABA their return actually goes up, so they don't actually lose.

SEN. MESAROS questions further about the concern of **Mr. Noble (DOR)** with the military buy back, "how much would that impact this?" **Ms. King (PERB)** supplies (EXHIBIT #6) Cost of "Free Military Service" in PERS and explains.

SEN. MESAROS points out that one of the Board items is "use of excess system funding" and asks that it be explained. **Ms. King (PERB)** explains that those systems at one time had unfunded liabilities that were being amortized with an employer contribution. When the unfunded liabilities were paid off, the legislature never changed that contribution rate down, so they have been actually prefunding something for themselves with what they've been collecting. Basically we're utilizing the prefund and continue at the same level to fund GABA in those systems.

SEN. MESAROS inquires about the extended amortization period on the PERS extended to 26 years and the police officers to 17.7 years. He states "That's where you're going TO but where is it coming from?" **Ms. King (PERB)** states the current amortization period in PERS is 11 and two years ago it was 16. So if the stock markets continue doing what they've been doing and payrolls not, we probably can amortize five years off of 26 in the next two years also. You're suppose to amortize it year for year, but if we do really well in the markets, we amortize five years in a two year period. So we're going up to 26. Now if we amortize it year for year, if we continue to have a run in the market, we'll probably be less than 26 years. I cannot tell you exactly where the police officers are at right now.

SEN. FRED THOMAS asks if, over the last 23 years, the change in annual benefits was a flat 1.5% a year, and would this have grown to a greater number or to a lesser number than going from 1993 to \$3713. **Mr. Bilodeau (MEA)** answers we ran these actually two years ago and what was interesting was comparing it to inflation; purchasing power loss. It clearly showed you'd still lose to inflation but you'd use half as much as what we have actually experienced. Roughly speaking, if you have a 1.5% annual

increase each year over a 22 year period, you're going to be increasing the base benefit by something around 45% versus 67%. So it would be less over that extended period of time. What you would be building into the system, however, through this proposal is a funding mechanism and from the State's prospective, you'd be building into the system a way for paying a guaranteed benefit over time and it's actually another way of helping with the savings that the GABA compared to an ad-hoc increase where the state consumes all of the costs for any ad-hoc increase. The other thing that GABA does is of course, it provides some certainty to the employee and the retiree. They can actually begin to make some sort of calculation as to what their benefit will be this year and a few years down the road. It makes planning much easier.

SEN. THOMAS questions that there is a very small cost to the bill. It has been indicated that it is paid in large part by off setting revenues. Is that a one time deal and will the future cost be more? **Ms. King (PERB)** answers "no, the fully phased-in cost to the General Fund and to everyone, comes in the second biennium and at which point it's \$1.5 million." All those "swaps" are forever and so the savings and the employees contributions will be forever. So the General Fund fully phased in costs to all local government of .1% of salary that occurs in the first year of the second biennium. If they grow more slowly, the costs will be less. **SEN. THOMAS** asks then how much the first year? **Ms. King (PERD)** states you have revenues too that come in so the net for the General Fund is \$947,000 combined. You take the expenditures plus the additional revenues because District Court fees are increasing General Fund revenues. **SEN. THOMAS** asks where are the one time monies generated in this first FY that aren't in the next FY? **Ms. King (PERD)** states there are no one time monies. These are all permanent.

SEN. VIVIAN BROOKE refers to HB 170, on Page 25, Lines 26 through 28. She states, I see that you've increased in this bill the marriage license fee by \$9.60. **Ms. King (PERB)** replies that they aren't making any changes in that, instead of a portion of it going to the Judges' Retirement and a portion to the General Fund, it's all going to the General Fund. It doesn't increase any license fees and it makes no change. **SEN. BROOKE** asks where in the bill is it deleted from going to the retirement? **Ms. King (PERB)** referred to Page 25, Line 25, and Page 26, Line 19, and pointed out that there are several places within the bill itself where fees that would normally go to the retirement systems are now deposited into the General Fund and that's on the fiscal note where you see the General Fund revenue increases.

{Tape: 1; Side: 2; Approx. Time Count: 11:14; Comments: None.}

CHAIRMAN HARGROVE asks about HB 527 on the firefighters. The fiscal note says ad hoc permanent post retirement increased for retired firefighters as if 1.5% has been in effect. Does that mean that HB 527 will be not necessary if GABA is enacted? **Ms.**

King (PERB) states it is a completely separate issue. What they are asking for in their bill is a one-time increase and that increase amount on that one-time they would look at how long they've been retired. If they've been retired for 15 years for instance, look at what their benefit would have increased to had GABA been in effect. They would have gotten 1.5% for 13 more years and that would be a one-time ad hoc. GABA will only increase these peoples benefits by 1.5% this year and the 1.5% next year and the year after.

CHAIRMAN HARGROVE asks what is HB 195? **Ms. King (PERB)** states it's a bill that provides that the state pay certain District Court fees that have not been paid before. It's a bill that had nothing to do with us but the District Courts we're feeling that the state was getting a free ride with all these prefilings and so they instituted in that bill (and it's in the Senate now for hearing) to have the State actually pay filing fees. The District Courts will get additional money from that and of course under GABA all the district court fees that come to the state now going to the General Fund will increase General Fund revenues. Without this bill it would go to the Judges' Retirement system. **CHAIRMAN HARGROVE** states that's worth almost \$400,000 to GABA, is that correct? **Ms. King (PERB)** answers "that is correct."

SEN. THOMAS comments he did a quick calculation and found that if we were to go into the last 22 years on this chart from 1993 to \$3,700, that in essence to accomplish on an annual compounded basis would have been about a 2.85% adjustment each year. In comparing that to the 1.5% proposed, certainly there were some heavy years of inflation in there in the 1980's but yet the purchasing value went from 100% down to 33% over that same time period. If we were to keep up with the mediocre pace we have over that time period, it still would be 2.85% versus 1.5%. **Ms. King (PERB)** replies she agrees. There was some HUGE inflation periods that we certainly are not projecting to occur again and I don't think this economy is going to allow something like that to happen again. In reality, assuming that you are going to be looking at what most economists look at - 3% or less inflation for the future. This will do much better for people. We don't anticipate this will, for a fact, make up for inflation, but it will be much better than what has happened in the past. It only gets more and more expensive to do ad hocs and these were ALL ad hocs. It's incredibly important to get something each year to count on, while they may have averaged that much over time. You'll note that there was quite a bit of pain before there was any remedy and it was extremely expensive. We tried to match the real needs, the anticipation of much more managed inflation in the future in our economy, with what could be afforded. Yes, we could calculate at 3%. If it's going to average 3% it should be 3% GABA. But the costs go up dramatically and we didn't believe the State could afford that.

{Tape: 1; Side: 2; Approx. Time Count: 11:22; Comments: None.}

CHAIRMAN HARGROVE questions the optional aspects of HB 170. Certain individuals have options depending on whether they are in the system before July 1 or after July 1 and do the different retirement systems (firemans, judges, etc.) have various options as to when or if they want to be a part of this? **Ms. King (PERB)** answers that in certain systems, GABA may not be an increase for all members (police, fireman, highway patrol and judges). Maybe what they have now is better for them than GABA. They will have an option and they will have until December 31, 1997, to exercise that option and we will work with individuals so that they can make a good choice. Any new hire after July 1, that will be a part of their contract of employment so they won't have an option. In PERS, sheriffs and game wardens have no options because it is a benefit for everyone.

Ms. King (PERB) informs the Committee that **SEN. TOM BECK** has agreed to carry the bill on the Floor.

Closing by Sponsor:

REP. AHNER closes stating this is a very unique package and it will yield a better return. The military buy-back will yield a 1.7% increase and they have to pay for it. GABA is a 1.5% increase and they don't have to pay out of their own pocket. If we would have done this 25 years ago, it would be paid for. I encourage you to think of our children and future employees. I recommend that you give it a positive vote.

{Tape: 1; Side: B; Approx. Time Count: 11:24; Comments: End of Tape 1, Side B.}

CHAIRMAN HARGROVE expresses that David Niss, Legislative Services Division, did an excellent job on (EXHIBIT #7) REPORT ON HB 170. He encourages the Committee to review the report before Executive Action on the bill.

CHAIRMAN HARGROVE requests Committee Secretary to obtain **SEN. BILL WILSON's** vote for all Executive Action.

EXECUTIVE ACTION ON SR 15

Motion/Vote: **CHAIRMAN HARGROVE** moved that SR 15 BE ADOPTED. The motion CARRIES UNANIMOUSLY.

EXECUTIVE ACTION ON HB 496

Motion: **SEN. THOMAS** MOVED HB 496 BE CONCURRED IN.

Discussion:

SEN. BROOKE states she has a problem with the fact that we are shifting costs. Their wages are so low, that's why the employees are pressuring to get this done. It should be painfully obvious to all of us that given the option for whether you want to eat

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)

Legislation Proposed by the Public Employees' Retirement Board
February 1997

Basic Provisions

- ▶ Provides 1.5% annual benefit increases to current and future retirees (and their beneficiaries) of seven public retirement plans
- ▶ Available to members retired three or more years
- ▶ Effective July 1997

Funding Sources

- ▶ Substitution of GABA for other benefits (swaps): Public Employees', Game Wardens', Highway Patrol, and Firefighters' Unified Systems
- ▶ Reducing benefits in some systems for new members: Judges'
- ▶ Increased employer contributions (phased in for PERS): PERS, Game Wardens', and Highway Patrol
- ▶ Increased employee contributions (phased in for PERS): PERS, Game Wardens', Highway Patrol, Municipal Police Officers' and Firefighters' Unified Retirement Systems.
- ▶ Extended amortization period: Public Employees' Ret. System (to 26 yrs)
Municipal Police Officers' (to 17.7 yrs)
- ▶ Use of excess system funding: Game Wardens' and Sheriffs' Systems
- ▶ Increased payments from Insurance Premium Fund: Police Officers' and Unified Firefighters' Systems
- ▶ Local government and school districts will be subsidized by payments from the state general fund. Therefore, there will be no local property tax impacts.
- ▶ Total general fund cost for coming biennium is less than \$1 Million (including local government subsidies) and about \$1.5 Million in future biennia.

**COST COMPARISONS OF HB 170 (PERMANENT GABA)
VS
ONE-TIME, AD HOC, RETIREMENT INCREASES**

The average retiree benefit paid by PERD and how a one-time, ad hoc, 1.5% increase would change this benefit in each system:

<u>System</u>	<u>Avg. Monthly Benefit</u>	<u>Avg. 1.5% Increase</u>	<u>Resulting Mo. Benefit</u>
PERS	\$ 539	\$ 8.09	\$ 547
JRS	2,115	31.73	2,147
SRS	797	11.96	809
GWRS	1,260	18.90	1,279
HPORS	1,173	17.60	1,191
MPORS	1,165	17.48	1,182
FURS	1,124	16.86	1,141

As of December 31, 1996, there were 14,638 retirees receiving benefits from PERD.

A one-time permanent ad hoc increase of 1.5% to these retirees, amortized over 30 years, would have the following General Fund Costs during the next 2 biennia. GF costs would continue to grow each year until the unfunded liabilities were amortized -- over a period of 30 years)

1997 1.5% Ad Hoc Cola COST TOTALS:	FY98	FY99	FY00	FY01
Employer/State Contribution Increases	\$606,140	\$629,784	\$655,193	\$680,895
General Fund Portion of costs of ad hoc 1.5% COLA	\$430,219	\$447,369	\$466,041	\$484,756
HB 61 GF Cost to Actuarially Fund JRS	\$429,621	\$429,621	\$429,621	\$429,621
Total GF Cost of 1.5% ad hoc & JRS Funding Fix	859,840	876,990	895,662	914,377
Members affected: 16,444				
GF Cost Per Member Affected	\$52	\$53	\$54	\$56
Total GF Costs of HB 170 GABA (including JRS Fix)	469,360	505,497	737,343	783,970
GABA (savings) to GF over 1.5% ad hoc & JRS fix	(\$390,480)	(\$371,493)	(\$158,319)	(\$130,407)
Members affected: 51,600				
GF Cost Per Member Affected	\$9	\$10	\$14	\$15
Total GF Cost of GABA if state agency				
increases NOT appropriated in HB 2*	\$319,229	\$350,111		
*If State agencies are not appropriated the employer contribution rate increases, the 1998 & 1999 biennium cost of GABA decreases to a total GF obligation of \$669,340 during the next biennium, which includes the actuarial funding fix for JRS.				

As you can see, the 1.5% GABA for all current and future retirees of all these systems, including the actuarial funding fix of the JRS, costs less per year to fund than a one-time, permanent 1.5% for only the current retirees of these systems.

The reason for this dramatic difference is because an ad hoc increases can not utilize: funding swaps, reamortization of existing liabilities, employee contributions, advance employer contributions, and investment earnings but must instead pay the money back, at 8% interest, to the systems from which it was borrowed. If this or any future legislature grants even one, 1.5% ad hoc increase, it will spend more State General Fund money, for at least as long a period, as is required to fund the current 1.5% GABA proposal.

"BENEFIT SWAPS" AND EMPLOYEES CONTRIBUTIONS USED TO FUND HB 170 (1.5% GABA)				
PERS Total Cost:	3.100%			
Service Purchase Funding Swap	0.310%			
Employee Contributions	0.100%	0.20%	(Beginning 7/1/2000)	
PERS Projected Payrolls	FY98	FY99	FY00	FY01
Total	\$651,939,071	\$674,756,939	\$698,373,432	\$722,816,502
Service Purchase Funding Swaps SAVE:	2,021,011	2,091,747	2,164,958	2,240,731
Employee Contributions	651,939	674,757	1,396,747	1,445,633
JRS (Reduces costs by 12.5% of Salary)				
JRS Payroll	\$3,206,597	\$3,206,597	\$3,382,960	\$3,382,960
Total JRS Savings	\$390,077	\$390,077	\$409,445	\$409,445
GWRS Total Cost:	4.23%			
Funding Switch	0.42%			
Increased employee contributions	0.60%			
Total Projected Payroll	\$2,981,369	\$3,097,643	\$3,218,451	\$3,343,970
Savings: Funding Switch	12,522	13,010	13,517	14,045
Employee Contributions	17,888	18,586	19,311	20,064
SRS Total Cost:	3.40%			
Excess system funding	3.26%			
Total Projected Payroll	\$20,443,773	\$21,854,393	\$23,362,346	\$24,974,348
Savings: System Funding	\$666,467	\$712,453	\$761,612	\$814,164
HPORS Total Cost:	0.230%			
Service Purchase Funding Swap	0.120%			
Employee contributions increase	0.050%			
Total Projected Payroll	\$6,816,110	\$7,122,835	\$7,443,362	\$7,778,314
Savings: Ser. Purch. Funding Swap	8,179	8,547	8,932	9,334
Employee Contributions	3,408	3,561	3,722	3,889
MPORS Total Cost:	2.75%			
Employee Contributions	0.50%			
Total Projected Payroll	\$18,053,336	\$19,280,963	\$20,592,068	\$21,992,329
Employee Contributions	\$90,267	\$96,405	\$102,960	\$109,962
FURS Total Cost:	2.870%			
Funding Swap: FAS	0.880%			
Funding Swap: Min. Benefits	0.500%			
Employee Contributions:	1.20%			
Projected Payroll	\$15,282,337	\$16,092,301	\$16,945,193	\$17,843,289
Savings: FAS Funding Swap	134,485	141,612	149,118	157,021
Savings: Supplemental Benefit Funding	130,162	115,985	100,319	83,058
Total FURS Funding Savings	264,647	257,597	249,437	240,079
Employee Contributions	183,388	193,108	203,342	214,119
GABA PAYMENTS BY GROUP:	FY98	FY99	FY00	FY01
TOTAL SAVINGS (Employer Paid Costs which must be paid forever (not just 26 years), without HB 170)	\$3,362,903	\$3,473,431	\$3,607,901	\$3,727,797
TOTAL EMPLOYEE CONTRIBUTIONS	946,890	986,417	1,726,082	1,793,667
GENERAL FUND COSTS*	\$469,360	\$505,497	\$737,343	\$783,970
*General Fund total Costs will be reduced to: if HB 195 is enacted	\$203,560	\$115,497	\$347,343	\$393,970

Current "Windfall" Benefits being "Swapped" for GABA. In each case, the change made by GABA will equalize the benefits between all PERD administered systems. There will be no more "leapfrogging" wherein members of other systems will want the same, higher-priced, benefits. Without GABA, employers will have to maintain the current benefit levels and spend the amounts shown on the reverse side to pay for them each and every year into the future.

PERS (Public Employees' Retirement System)

- **Military Service** -- Members now pay 6.7% of salary (plus interest) for this service
Under GABA members would pay full actuarial cost (between 7.9% and 27.1%, depending on when purchased)
- **Out-of-State/Federal Service** -- Members now pay 13.4% of salary (plus interest) for this service
Under GABA members would pay full actuarial cost (between 7.9% and 27.1%, depending on when purchased)
- **Additional ("1-for-5") Service** -- Members hired prior to 7/1/89 now pay 13.4% of salary (plus interest) for this service (Members hired on or after 7/1/89 can not purchase this type of service at present.)
Under GABA all members could purchase this service and would pay full actuarial cost (between 7.9% and 27.1%)

JRS (Judges' Retirement System)

- **Opt. 1 Retirement Benefits** -- When an Opt. 1 Retiree dies, the designated beneficiary receives the balance of the actuarial value of the retirement benefit on the retirement date minus benefits paid.
Under GABA, beneficiary will receive the balance of the members contributions and interest minus benefits paid.
- **Post-Retirement Benefit Increases** -- Current retirees receive increases at the same rate as sitting judges/justices (which average 6%/year over time)
Under GABA, increases will be 1.5%/year after 3 years of retirement.

GWRS (Game Wardens Retirement System)

- **Opt. 1 Retirement Benefits** -- When an Opt. 1 Retiree dies, the designated beneficiary receives the balance of the actuarial value of the retirement benefit on the retirement date minus benefits paid.
Under GABA, beneficiary will receive the balance of the members contributions and interest minus benefits paid.

SRS (Sheriffs Retirement System)

- **Excess System Funding** -- Current funding levels are more than necessary for current benefits. GABA will use the excess and future continued funding at current levels to provide the benefits.

HPORS (Highway Patrol Officers' Retirement System)

- **Military Service** -- Members now pay 9% of salary (plus interest) for this service
Under GABA members would pay full actuarial cost (between 14.5% and 32.9%, depending on when purchased)

MPORS (Municipal Police Officers' Retirement System)

- **Post-Retirement Benefit Increases** -- Current retirees receive increases at the same rate as newly confirmed police officers once the benefit falls to less than 50% of newly confirmed officers. (average 4.2%/year after 13 years of retirement). Funding is directly reimbursed to retirement system from Insurance Premium Tax funds which directly offset GF revenues.
Under GABA, increases will be 1.5%/year after 3 years of retirement. Actuarial funding mechanism will decrease GF costs in future.

FURS (Firefighters' Unified Retirement System)

- **Salary used to Calculate Benefit** -- Currently retirees receive a benefit based on their last full month's compensation.
Under GABA, retirees will receive a benefit based on the average of their last 36 month's compensation.
- **Post-Retirement Benefit Increases** -- Current retirees receive increases at the same rate as newly confirmed firefighters once the benefit falls to less than 50% of newly confirmed firefighters salary. (average 3.52%/year after 13 years of retirement). Funding for most members is directly reimbursed to retirement system from Insurance Premium Tax funds which directly offset GF revenues.
Under GABA, increases will be 1.5%/year after 3 years of retirement. Actuarial funding mechanism will actually increase GF revenues beginning 9/1/97.

QUESTIONS AND ANSWERS

HB 170

GUARANTEED ANNUAL BENEFIT ADJUSTMENT

Q. What is guaranteed by the GABA?

A. The GABA will be substituted for any other benefit adjustment mechanisms provided in current law for the 7 public retirement systems administered by the Public Employees' Retirement Board. After having been retired for at least three years, GABA will guarantee an annual increase of 1.5% in the benefits retirees will receive each year.

Q. How is the GABA funded?

A. Through a combination of four sources:

1. Systems Savings (over 85% of total "out-of-pocket" cost of the GABA)
2. Employer/State Contributions (almost 8% of total cost)
3. Employee Contributions (7% of total "out-of-pocket" cost)
4. Investment earnings (which reduces the out-of-pocket expense to about 1/10th of the benefits actually paid)

Q. What makes up "System Savings"?

A. "System Savings" refers to:

Funding Swaps. There are individual benefits currently provided in most of the systems which are not found in other systems or which accrue only to a small portion of the membership of any system. These benefits "cost" a portion of the current funding of each retirement system. These benefits, along with funding for them, can be "swapped" for a portion of the GABA, thus reducing the additional funding required for the GABA.

Excess System Funding. Two of the 7 retirement systems are collecting contributions in excess of the amounts actuarially required to fund the current benefit structures of those systems. The excess contributions already collected will reduce the additional contributions necessary to fund the GABA.

Extending Amortization Periods. In well-funded systems, a portion of the contribution increases actuarially required to fund the GABA can be foregone. This will have the effect of extending the overall amortization period of the systems' unfunded past service liabilities, but to periods well within accepted standards for public systems.

Substituting GABA for Existing Increases. Since most of the smaller systems have some minimal types of automatic benefit increases, substituting the GABA for those will further reduce the additional funding necessary to guarantee everyone a 1.5% annual increase.

Replacing Benefits for New Members. In the case of the systems where the 1.5% GABA is expected to be less (on the average) than the current benefit adjustment mechanism, this proposal will replace the former mechanism with the GABA for all persons who become members of the system after the effective date of the legislation. Current members and retirees could elect to be covered by GABA, but would not be required to give up higher promised benefit adjustments. Such a change will reduce the state's obligation to provide additional funding for these systems.

Q. What is the "out-of-pocket" cost of GABA and how will it be paid?

A. GABA will cost just over \$42 Million during the next biennium. Those costs will be paid by:

	<u>FY 98 & 99</u>	<u>FY 2000&01</u>	<u>FT 02 & 03</u>
Savings:	\$39.0 Million	\$42.3 Million	\$45.4 Million
Employees:	1.9 Million	3.5 Million	3.8 Million
Employer/State:	<u>1.4 Million</u>	<u>3.8 Million</u>	<u>4.1 Million</u>
	\$42.3 Million	\$49.6 Million	\$53.3 Million

Q. What will be the impact on local governments and local taxes?

A. No substantial impact. No impact at all until FY 2000. Then, impacts will be significantly less than 1/10 mill (closer to 1/20 mill) which can be absorbed without property tax increases.

For example, on a statewide basis, 1/10 mill represents about \$220,000. The total impact of GABA on all 56 counties will be less than \$120,000 per year. For a major city, 1/10 mill is around \$10,000. The total impact of GABA on 86 city employers will be less than \$65,000 -- or an average of less than \$725 per city per year. The average impact to school districts will be about \$20/PERS-covered employee per year.

Q. What will be the cost to the State General Fund?

A. State general fund costs will be created by increasing state employer contributions for employees funded by general fund and through direct subsidies for local government employees. General fund revenues will also be increased by some of the changes in HB 170. The net impact -- cost -- of GABA to the state's general fund during the next biennium is expected to be just under \$975,000.

Q. Will any person lose benefits because of this bill?

A. Anytime one or more individual benefits are "swapped" for GABA, the resulting benefit package is worth more than what is being "given up." In the systems where the value of the GABA benefits may be less than the current benefit package for an individual member, those current members will have the option of whether or not to be covered by GABA.

Q. Can we put off the benefit swaps until a later date?

A. Yes. This will increase the amount required to be contributed from other sources. The total value ("savings") realized from the benefit swaps for the coming biennium totals \$4.5 Million. From what source is it proposed that this funding be made up? And, since the benefits being swapped are "windfall" benefits, what is the justification for expending \$4.5 Million for such a purpose?

Q. What are the advantages of utilizing funding swaps?

A. Besides the savings which can be realized and applied toward funding the GABA, swapping benefits which accrue only to a small number of public employees **helps to level the playing field.** Reducing the unnecessary differences between retirement systems can both save money now, but can eliminate sources of friction between the members of the various systems which result in future legislation to add additional benefits to the systems which do not already have them. "Leapfrogging" of benefits will be significantly reduced or eliminated by equalization of the systems through GABA.

Such "windfall" benefits may not be eliminated unless a benefit of equal or higher value (such as the GABA) can be substituted for all or a portion of the benefit being repealed. The GABA presents the opportunity to eliminate unnecessary benefit differences between the systems.

Q. Isn't it a "bad" thing to create or increase unfunded liabilities?

A. Unfunded pension liabilities are not amounts which we actually have to go out and borrow money to pay. In a retirement system, it is the difference between the present value of benefits due and payable on a particular day should the retirement system be closed down, and the value of the pension fund on that same day. Since the pension systems will not be terminated, what is important is whether the amounts required to pay off those liabilities are reasonable and whether the time period over which this will be accomplished is reasonable and prudent.

This issue is very similar to the question of whether a family should purchase a home with cash, up front -- or whether it would be more prudent to put up a reasonable down payment and pay off the loan balance at a reasonable interest rate over a reasonable period of time. While it would not be reasonable for a family to spend every dollar they had to purchase a house, outright; it would be equally unreasonable for the family to pay their same monthly income to rent a home that they could be using to build equity in a home.

Unfunded liabilities in a retirement trust fund are quite similar. If we had enough money to pay off the entire mortgage up front and would not then need to turn around and borrow money at an even higher rate in order to buy food and other necessities -- it would be a great idea to pay enough money up-front so that we wouldn't have a mortgage to pay off in the future. But, like most families, we don't have that kind of cash!

The 1997 GABA proposal provides that all the unfunded liabilities created (benefits not paid up in full on July 1, 1997) will be paid off well within the required funding periods for public pension plans. The amortization schedules will be no more than 26 years for PERS and no more than 17.75 years for MPORS.

Q. What happens if we don't pass the GABA?

A. Almost every legislative session since 1971 has understood the necessity of increasing fixed pension benefits for retired public employees and has passed "ad hoc" (one-time, permanent) benefit increases for retirees. It is unrealistic to believe that without a guaranteed adjustment mechanism the legislature will simply refuse to grant these same retirees and future retirees any further increases.

Q. So, what's wrong with enacting "ad hoc" increases?

A. "Ad Hoc" increases are the most expensive way to fund benefit increases. Not only are there not investment earnings which will ultimately pay almost 90% of the benefits paid out, but we can't do "funding swaps" in exchange for one-time benefits for current retirees.

"Ad Hoc" increases can only be funded by employer/state contributions; active employees may not be asked to help pay for benefits which they will never receive. Since any individual "ad hoc" increase is made only for current retirees, active members will never take part in that particular increase and may not help pay for any portion of it.

"Ad Hoc" increases are **ALL** unfunded liabilities. Not one penny paid out in the form of a permanently increased benefit was saved ahead of time and must be "borrowed" from the trust fund and paid back with interest. It would be like buying a home without putting any money down -- worse yet, it would be like charging that home on a credit card! Not only can investment earnings not help reduce our out-of-pocket costs -- we have to pay interest on the loan for 30 years (when the average retiree who got the benefit is only expected to live 15 of those years!) After enacting 20 years worth of ad hoc increases, we've already spent up to our credit limit and have no room to "charge" another "ad hoc" increase!

Q. What makes GABA better?

A. GABA has the following strengths over "ad hoc" increases:

- Significantly less expensive because:
 - Investment earnings fund a great deal of the actual benefits paid out
 - Employees can help pay for the GABA since they will receive an increased benefit
 - Can be substituted for current benefits
- GABA allows legislature to eliminate the current benefits which create the potential for 'leap-frogging' in these systems -- thereby saving money in the future.
- Provides meaningful protection against ravages of inflation on fixed incomes.

HB 170 (GABA) AND UNFUNDED LIABILITIES

Q: If HB 170 is enacted, won't that create more unfunded liabilities and make it more expensive to switch over to a defined contribution plan, if that is the direction the next Legislature wants to go?

A: No.

Previous Legislatures have already created obligations for the state's public retirement systems. Those obligations are not just current unfunded liabilities, but also the ongoing costs of providing the benefits currently offered to active members. The state is on the hook now for these obligations over more than 30 years into the future.

HB 170 pays for most of the obligations created by GABA by exchanging GABA for the past obligations and allowing current members to make their own contributions to prefund their future benefit increases.

The costs of amortizing (paying off over time -- similar to a mortgage) the current unfunded liabilities of all systems administered by PERD (the systems covered in HB 170) are about the same as the costs of amortizing the unfunded liabilities of these systems after HB 170.

Q: How can you exchange obligations? I thought once a benefit was granted it could not be taken away.

A: You are partially right. A benefit may not be taken away -- but it can be exchanged for a benefit of equal or greater value. That's what HB 170 does -- it swaps GABA for some existing benefits in each of the systems.

In situations where the swap may not be to the overall advantage of system members, members are given the option of whether or not to be covered by GABA. So, no retired or active member will be harmed. New hires will be covered by GABA as a condition of their employment. The fiscal note for GABA assumes savings only for members covered by GABA (it doesn't say the cost will be low because we assumed everyone would be covered).

Q: Won't extending the amortization period for PERS still cause problems if we want to convert it to a Defined Contribution plan?

A: Very little, if at all.

The big costs associated with converting to a DC plan will be the costs of closing the current DB plan, true. But, those closing costs are high because of NEW unfunded liabilities created by closing the plan -- not the current unfunded liabilities of the plan. So, PERS GABA costs will do little or nothing to increase potential conversion costs.

(Over, please)

Q: What? What new unfunded liabilities are created by closing a plan?

A: You can't just require all current PERS members to join the new plan -- because the benefit levels are lower, you have to give them the option. Past experience shows less than 15% will convert.

The current costs of PERS are influenced by a number of actuarial assumptions, including turnover rates, salary increase rates, and investment return rates. These are all **NEGATIVELY** impacted by closing the plan. For example:

- Turnover rates decrease for persons remaining in PERS. Therefore, more employer funds as a percentage of covered salaries are required to pay current benefit levels.
- Salary increase rates for longer term employees (those staying in the plan) are higher than the average salary increases of the plan when there was high turnover of newer members. Therefore, the actuarial assumptions will have to change to assume increased average costs for those who remain.
- Investment return assumption (currently at 8%) will have to be decreased since we will no longer have a net cash flow into the system. Therefore, we will have to change our investments to income producing (mortgages and bonds) and not be able to invest heavily in stocks. Instead of assuming an average yield of 8% on our investments, the yield may be closer to 6.5% or 7%

These combine to create huge unfunded liabilities in a plan -- even if it had **NO** unfunded liabilities at all the day before.

GABA will not change that nor will it increase the conversion costs significantly.

Projected Income on a 0.01% payroll tax

PERS

PERS Projected Payrolls	FY98	FY99	
State	\$290,291,598	\$300,451,804	
University System	56,690,521	58,674,689	
Local Governments/School Districts	304,956,952	315,630,445	
Total	\$651,939,071	\$674,756,939	
ER Cont increases:	0.0100%	0.0100%	
State	29,029	30,045	
University System	5,669	5,867	
Local Governments	30,496	31,563	
Total	65,194	67,476	
GF Expenditure Increase/(Decrease)	\$15,013	\$15,539	\$30,552

JRS

JRS Payroll	\$3,206,597	\$3,206,597	
GF Cost	\$321	\$321	\$641

GWRs

Total Projected Payroll	\$2,981,369	\$3,097,643	
ER Contribution:	\$298	\$310	

SRS

Total Projected Payroll	\$20,443,773	\$21,854,393	
ER Contribution:	\$2,044	\$2,185	

HPORS

Total Projected Payroll	\$6,816,110	\$7,122,835	
ER Contribution:	\$682	\$712	

MPORS

Total Projected Payroll	\$18,053,336	\$19,280,963	
ER Contribution:	\$1,805	\$1,928	Biennial GF Cost
			\$31,193

FURS

Projected Payroll	\$15,282,337	\$16,092,301	
ER Contribution:	\$1,528	\$1,609	
			Biennial Cost
Total Payroll Tax @ 0.1% of Payroll	\$71,872	\$74,541	\$146,413

\$2.50 PAYROLL TAX PER MEMBER

PERS Membership		FY 97	FY 98	FY99	
State	0.55%	10,545	10,603	10,661	
Counties	3.15%	5,601	5,778	5,960	Biennial GF
Cities/Towns	4.59%	2,953	3,088	3,230	Cost
Colleges/Univ	2.61%	2,667	2,736	2,807	\$29,579
School Districts	0.16%	5,637	5,646	5,655	
Other	0.98%	936	945	955	
	1.57%	28,333	28,777	29,229	Biennial Cost
Total Payroll Tax @ \$2.5/member		70,832	71,943	73,073	\$142,775

Projected Income on a 0.015% payroll tax**PERS**

PERS Projected Payrolls	FY98	FY99
State	\$290,291,598	\$300,451,804
University System	56,690,521	58,674,689
Local Governments/School District	304,956,952	315,630,445
Total	\$651,939,071	\$674,756,939

ER Cont increases:	0.0150%	0.0150%	
State	43,544	45,068	
University System	8,504	8,801	
Local Governments	45,744	47,345	
Total	97,791	101,214	
GF Expenditure Increase/(Decrease)	\$22,520	\$23,308	\$45,827

JRS

JRS Payroll	\$3,206,597	\$3,206,597	
GF Cost	\$481	\$481	\$962

GWRS

Total Projected Payroll	\$2,981,369	\$3,097,643
ER Contribution:	\$447	\$465

SRS

Total Projected Payroll	\$20,443,773	\$21,854,393
ER Contribution:	\$3,067	\$3,278

HPORS

Total Projected Payroll	\$6,816,110	\$7,122,835
ER Contribution:	\$1,022	\$1,068

MPORS

Total Projected Payroll	\$18,053,336	\$19,280,963	
ER Contribution:	\$2,708	\$2,892	Biennial GF Cost
			\$46,789

FURS

Projected Payroll	\$15,282,337	\$16,092,301	
ER Contribution:	\$2,292	\$2,414	
			Biennial Cost
Total Payroll Tax @ 0.15% of Pay	\$107,808	\$111,812	\$219,620

\$3 PAYROLL TAX PER MEMBER

PERS Membership		FY 97	FY 98	FY99	
State	0.55%	10,545	10,603	10,661	
Counties	3.15%	5,601	5,778	5,960	Biennial GF
Cities/Towns	4.59%	2,953	3,088	3,230	Cost
Colleges/Univ	2.61%	2,667	2,736	2,807	\$35,495
School Districts	0.16%	5,637	5,646	5,655	
Other	0.98%	936	945	955	
	1.57%	28,333	28,777	29,229	Biennial Cost
Total Payroll Tax @ \$3/member		84,998	86,332	87,687	\$171,330

Projected Income on a 0.015% payroll tax

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Local Governments/School District	304,956,952	315,630,445	
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Local Governments	45,744	47,345	
Total	97,791	101,214	
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Other	0.98%	936	945	955	
	1.57%	28,333	28,777	29,229	Biennial Cost
Total Payroll Tax @ \$2.5/member		70,832	71,943	73,073	\$142,775

TESTIMONY IN SUPPORT OF
HB 170
1.5% GUARANTEED ANNUAL BENEFIT ADJUSTMENT
on behalf of the
PUBLIC EMPLOYEES' RETIREMENT BOARD

SENATE STATE ADMIN.

EXHIBIT NO. 2

DATE 3-18-97

BILL NO. HB170

Presented by Linda King,
Public Employees' Retirement Division

The 1993 Legislature enacted SB 192 which required the Public Employees' Retirement Board to "review the sufficiency of benefits paid by the system and recommend to the legislature those changes in benefits that may be necessary for retired members and their beneficiaries to maintain a stable standard of living." (19-2-404(9), MCA)

HB 170, the 1.5% GABA proposal is the Board's recommended change in benefits required to be brought to you by that 1993 law. The Board fully supports and recommends enactment of this particular proposal because it will guarantee benefit increases necessary to maintain a more stable standard of living, in a manner which will maintain the actuarial soundness of all the systems, and in the most cost-effective manner possible to the taxpayers of this state.

The 1997 GABA proposal is similar, although not identical, to a "GABA" proposal receiving very favorable consideration by the 1995 Legislature. That proposal included the Teachers' Retirement System and carried a \$5 Million general fund cost for the current biennium. Although overwhelmingly passed by both houses, it "died" in the final days of the session in order to provide funds for property tax relief. The 1997 1.5% GABA includes only the seven systems administered by the Public Employees' Retirement Board (TRS has a separate proposal) and a total general fund price tag of under \$1 Million for the coming biennium.

In the past, the Legislature enacted various "ad hoc" benefit increases (see list attached) for retirees because permanent, on-going increases were found to be too expensive. For example, a 1993 2% GABA proposal covering only PERS would have cost the state general fund more than \$8 Million in the coming biennium. This GABA proposal is different because it utilizes other mechanisms besides the state general fund to help fund the guaranteed benefit adjustments -- for all 7 systems administered by the Public Employees' Retirement Board -- at only a fraction of the cost of the previous PERS proposal.

These other mechanisms, called "SAVINGS," include:

Funding Swaps. There are currently benefits provided in most of the systems which are not found in the other systems and which cost employers varying amounts as a portion of the current funding of each system. Such benefits can be "swapped" for a portion of the GABA, thus reducing the additional funding required for the GABA. These swaps will **save about \$4.5 Million** during the next biennium.

Excess System Funding. Two of the retirement systems covered by GABA are actually collecting contributions in excess of the amounts actuarially required to fund their current benefits. The excess amounts currently collected reduce the additional contributions required to fund GABA for those systems. This will reduce additional funding requirements by over **\$1.4 Million** during the next biennium.

Extending Amortization Periods. A portion of the contribution increases which would otherwise be required to fund GABA can be reduced in certain systems which are well-funded and have amortization periods well within accepted actuarial funding standards. This will have the effect of extending the amortization period of those systems' unfunded past service liabilities to periods well within the accepted standards for public pension systems. Amortizing PERS unfunded liabilities over 26 years and Municipal Police over 17.7 years will save over **\$32.4 Million** during the coming biennium.

Substituting GABA for Existing Post Retirement Increases. In several of the small systems there are minimum benefits which begin being paid, on the average, about 13 years after retirement. Once they begin, these increases average between 3% and 5% per year. The cost of funding GABA for new members, and current members and retirees who elect to be covered by GABA, will be offset by the costs of the former minimum benefits which will no longer be provided for these members.

The Judges' Retirement System currently has a very expensive automatic benefit increase mechanism. JRS retirees get increases at the same time and in the same percentage as active members (which has averaged about 6% over the past 20 years). Covering all new members by the 1.5% GABA instead of the current 6% increases will substantially reduce the costs of that system. **This one change alone will save \$780,000 during the next biennium -- which is over 90% of the GF costs required to actuarially fund the JRS (HB 61).**

Total savings associated with substituting GABA for other benefit increase mechanisms will total over **\$1 Million** during the next 2 years.

The bottom line savings resulting from the forgoing savings mechanisms will "pay" 90% of the total costs of GABA, which would otherwise fall on taxpayers and members. The remaining 10% will be divided among employers and employees. Direct state general fund contributions will subsidize local government and school district employers costs thus limiting impacts to well under 1/10 mill beginning in July 1999, thereby eliminating any dollar impact of the GABA on local taxpayers.

Total state general fund costs (which includes employer costs for state and university system employees and the direct subsidy to local government and school district employers) is projected at \$974,800 for the coming biennium and about **\$1.5 Million** for the following biennium when employer costs are fully phased in all systems. This level of state General Fund commitment is significantly less than the \$5.6 Million in state income taxes paid by current retirees for these same 7 retirement systems.

House Questions and Actions: When HB 170 was heard in the House, there were several concerns raised about the implementation of this proposal which were addressed before being passed 85-13:

Will extending the amortization period of PERS unfunded liabilities increase the state's costs? Not as a whole. HB 170, while extending the amortization period of PERS, the unfunded liabilities for the Judges' Retirement System are eliminated. The entire General Fund Cost of GABA will be less than \$975,000 next biennium -- while the General Fund Cost of just funding the JRS would be almost \$860,000 (for 30 years) without GABA.

Can't we just not "fix" the JRS funding problem? No. It is now constitutionally mandated that all systems be funded on an actuarially sound basis. But, the problem is worse than simply being "unconstitutional."

An immediate negative impact would be faced by the state's taxpayers if this Legislature does not pass legislation actuarially funding the JRS. Each year the state issues hundreds of millions in bonds -- Tax Revenue Anticipation Notes (TRANS) to fund state government which are paid off as tax revenues are received -- and building bonds for state and university buildings. The rate of interest paid on these bonds are determined by the ratings assigned the state by Moody's and Standard and Poor's rating services.

Last year, the state's Comprehensive Annual Financial Report (CAFR) (which is used by the rating agencies in assigning bond ratings) almost received a "qualified" opinion because of the underfunding problem of the JRS. The state was able to convince auditors that the funding problem would be remedied by the 1997 Legislature due to the Constitutional Amendment which became effective in 1995. If this session does not provide an actuarially sound funding mechanism for the JRS, the State's CAFR will receive a "qualified" opinion on its 1997 CAFR and its bond rating will be negatively affected. While we do not know the extent of the drop, we do know that the smallest drop

possible will cost the State more than \$1 Million each year in additional interest on bonds. We just can't afford to refuse to address this issue. Without GABA, we'll need to spend about \$800,000 each biennium to fix this problem.

Won't increasing the unfunded liabilities of PERS make it harder, more expensive to convert PERS to a defined contribution plan in the future? Only very minimally. The increased costs of GABA in PERS are projected to increase potential conversion costs by less than 3%. While conversion costs are high (approximately \$5 Million per year for 25 years), GABA would add only about \$150,000 per year to those costs.

What about employees who want a little extra time before the benefit swaps go into effect in order to take advantage of both the current benefit windfalls and GABA? What would happen if we delayed the benefit swaps for a time? This will dramatically increase the costs of GABA. As mentioned earlier, the swaps will save employers about \$4.5 million during the next biennium (and the savings will increase each year into the future). Putting off the benefit swaps in PERS for just 6 months will increase General Fund costs by more than \$800,000 each biennium -- increasing along with payrolls for the next 26 years -- for a total additional cost of over \$16.5 Million to the taxpayers.

The state can afford to fund GABA or the windfall benefits, but not both. The longer we put off this proposal, the more it will cost. Since GABA is worth substantially more to each and every PERS member than the windfall benefits being forgone, it is certainly to their advantage that GABA be enacted without delay. The state certainly does not owe them an even more substantial windfall.

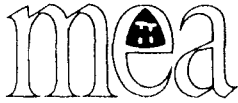
A GABA is so ... well, ... permanent. Why not just enact an ad hoc increase? What about a GABA with a sunset after 10 years so we can make sure this is the right decision? Without a permanent GABA, we can not make use of any funding swaps or any employee contributions (which, together, pay for more than 90% of the costs of this proposal). Therefore the full cost of any ad hoc increase would have to be borne by the employers. To enact a one-time, 1.5% ad hoc increase for current retirees would cost the General Fund almost \$900,000 during the next biennium and would continue (increasing along with payrolls) for 30 years. Add the cost of correcting the JRS funding problem, and the General fund would pay over \$1.7 Million each biennium for 30 years -- which is more than the fully-phased in cost of GABA. Even one ad hoc increase will cost more for the state's taxpayers to fund than the proposal before you today. HB 170, a permanent GABA, just makes the most sense.

In closing, I can assure you that:

- This particular proposal has been carefully crafted to take advantage of real savings which can only occur when a benefit of equal or greater value can be substituted.
- We have "swapped" only those benefits which have increased the differences (and therefore been prime candidates for "leap-frogging") between the various systems, with the GABA as one uniform benefit which will be used by members of all the systems.

The GABA proposal goes beyond providing absolutely necessary benefit increases in the most cost-effective manner possible. The added benefit of this particular proposal is that it also serves to level the playing field and reduce the current disparities between the systems -- which will save taxpayer dollars in the future because "leap-frogging" will be virtually eliminated.

On behalf of the Public Employees' Retirement Board, I urge your favorable consideration of this proposal which meets the Board's requirements as an actuarially funded, equitable, and necessary benefit for all the members of all the public retirement systems they administer. Given the fact that HB 170 will both provide a 1.5% GABA for members of all systems and remedy the actuarial funding requirements for the Judges Retirement System at a biennial general fund cost of only \$116,000 more than HB 61 (actuarially funding JRS without GABA changes) **we really can't afford to say no this time.**



Montana Education Association

1232 East Sixth Avenue • Helena, Montana 59601 • 406-442-4250
1-800-398-0826 (Toll-free) • Fax: 406-443-5081

SENATE STATE ADMIN.

EXHIBIT NO. 3

DATE 3-18-97

BILL NO. HB170

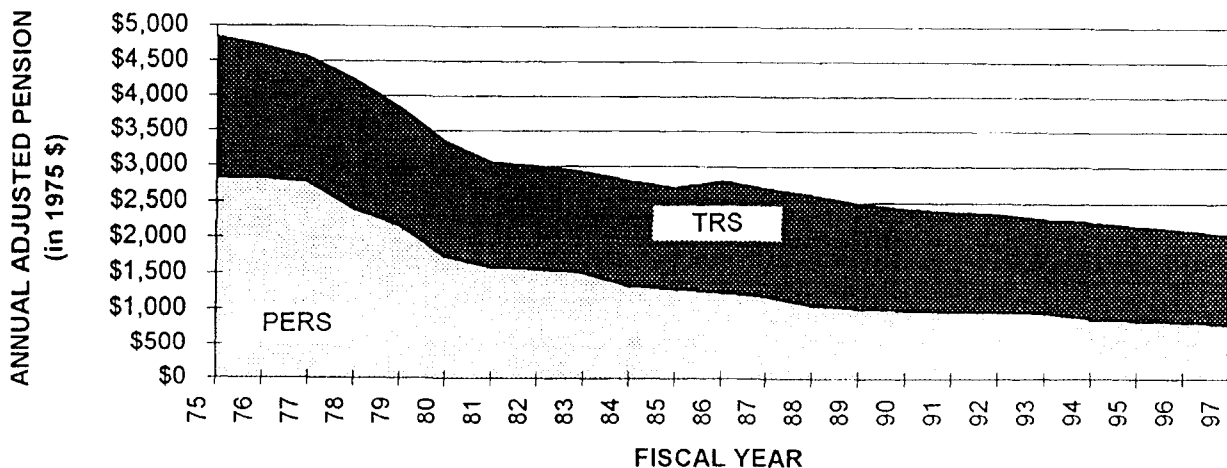
PERS GUARANTEED ANNUAL BENEFIT ADJUSTMENTS (GABA)

IN SUPPORT OF HB170 BEFORE THE SENATE STATE ADMINISTRATION CMTE

**Tom Bilodeau -- MEA Research Director
March 18, 1997**

Even with occasionally enacted ("ad hoc") pension benefit adjustments, the "average" Montana Public Employee Retirement System (PERS) employee who retired in 1975 with 20+ years of public service, will this year receive only a little more than \$300 per month in PERS benefits. During the same twenty-two year period, inflation has reduced the buying-power of a typical 1975 Teacher Retirement System (TRS) retiree's pension in half. Indeed, for TRS since 1975, occasionally enacted ad-hoc pension adjustments to TRS benefits have provided benefit adjustments in only seven of twenty-two years; and in only one of these years (FY86) did the ad-hoc adjustment provide a benefit increase that matched or exceeded that single year's annual cost of inflation. (See: graph below and the data table on the back.)

TRS & PERS PENSIONS FOR TYPICAL 1975 RETIREES ADJUSTED FOR AD HOC INCREASES & FOR INFLATION



In simple fact, after a career's worth of service to the people of Montana, a public retiree's first pension check was his/her largest; thereafter every pension dollar has been devalued (almost without check) by the ravages of inflation. The situation was made worse following the legislature's imposition of state income taxation on pension benefits since 1993. The erosion of pension buying-power is a serious, obvious and continuing problem with the basic structure of Montana's PERS and TRS retirement programs. And it's a problem that has been acknowledged by the legislature since the early 1980s. The time to address this issue is long overdue. MEA and PEPSCo urge this Committee to vote "do pass" and the Senate to enact HB170 -- without amendment -- at the earliest possible date.

PERS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
IMPACT ON AN "AVERAGE" 1975 PERS RETIREE WITH 20 YRS SERVICE

Mar-97

YEAR	AVERAGE FY75 RETIREE BENEFIT \$	AD HOC BENEFIT ADJUSTMENT	ANNUAL BENEFIT WITH AD HOC \$	% CHANGE ANNUAL BENEFIT		--- INFLATION --- % PURCHASE CPI-U POWER	INFLATION ADJUSTED BENEFIT \$ IN 1975 \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION
1974-75	\$1,993	BASE	\$1,993	BASE		BASE BASE	\$1,993	BASE	----
1975-76		0	\$1,993	0.00%		5.8 0.947	\$1,887	(\$106)	
1976-77		0	\$1,993	0.00%		6.5 0.886	\$1,766	(\$227)	
1977-78		FLAT % (+\$331)	\$2,224	11.57%		7.6 0.825	\$1,834	(\$159)	
1978-79		0	\$2,224	0.00%		11.3 0.744	\$1,654	(\$339)	
1979-80		FLAT % (+\$240)	\$2,464	10.80%		13.5 0.651	\$1,604	(\$389)	
1980-81		0	\$2,464	0.00%		10.3 0.594	\$1,463	(\$530)	
1981-82		FORMULA (+\$120)	\$2,584	4.87%		6.2 0.555	\$1,434	(\$559)	
1982-83		0	\$2,584	0.00%		3.2 0.541	\$1,398	(\$595)	
1983-84		FORMULA (+\$240)	\$2,824	9.29%		4.3 0.519	\$1,466	(\$527)	(\$11,298)
1984-85		0	\$2,824	0.00%		3.6 0.501	\$1,415	(\$578)	
1985-86		FORMULA (+\$324)	\$3,163	12.00%		1.9 0.491	\$1,553	(\$440)	
1986-87		0	\$3,163	0.00%		3.6 0.473	\$1,496	(\$497)	
1987-88		FORMULA (+\$174)	\$3,337	5.50%		4.1 0.456	\$1,521	(\$472)	
1988-89		0	\$3,337	0.00%		4.8 0.434	\$1,448	(\$545)	
1989-90		"PRBA" (+\$71)	\$3,408	2.13%		5.4 0.414	\$1,411	(\$582)	
1990-91		"PRBA" (+\$77)	\$3,485	2.26%		4.2 0.396	\$1,380	(\$613)	
1991-92		"PRBA" (+\$58)	\$3,543	1.67%		3.1 0.384	\$1,360	(\$633)	
1992-93#	TAX -\$100	"PRBA" (+\$46)	\$3,489	-1.52%		3.2 0.372	\$1,298	(\$695)	
1993-94	+5% AD HOC	"PRBA" (+\$50)	\$3,713	6.42%		2.7 0.362	\$1,344	(\$649)	
1994-95		"PRBA" (+\$0)	\$3,713	0.00%		2.7 0.352	\$1,308	(\$685)	
1995-96		"PRBA" (+\$0)	\$3,713	0.00%		2.5 0.343	\$1,275	(\$718)	
1996-97*		"PRBA" (+\$0)	\$3,713	0.00%		3.3 0.332	\$1,233	(\$760)	----

SOURCE DATA: PERS FILES & US-DOJ/BL (JUNE-1975 \$ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.3% FOR 1997 (CPI-U PROJECTED AT +3.3% PER YEAR).

IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

TRS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
IMPACT ON AN "AVERAGE" 1975 TRS RETIREE WITH 25 YRS SERVICE

Mar-97

YEAR	AVERAGE FY75 RETIREE BENEFIT \$	AD HOC BENEFIT ADJUSTMENT	ANNUAL BENEFIT WITH AD HOC \$	% CHANGE ANNUAL BENEFIT		--- INFLATION --- % PURCHASE CPI-U POWER	INFLATION ADJUSTED BENEFIT \$ IN 1975 \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION
1974-75	\$4,832	BASE	\$4,832	BASE		BASE BASE	\$4,832	BASE	----
1975-76		FORMULA (+\$145)	\$4,977	3.00%		5.8 0.947	\$4,713	(\$119)	
1976-77		FORMULA (+\$149)	\$5,126	3.00%		6.5 0.886	\$4,542	(\$290)	
1977-78		0	\$5,126	0.00%		7.6 0.825	\$4,229	(\$603)	
1978-79		0	\$5,126	0.00%		11.3 0.744	\$3,814	(\$1,018)	
1979-80		0	\$5,126	0.00%		13.5 0.651	\$3,337	(\$1,495)	
1980-81		0	\$5,126	0.00%		10.3 0.594	\$3,045	(\$1,787)	
1981-82		FORMULA (+\$262)	\$5,388	5.11%		6.2 0.555	\$2,990	(\$1,842)	
1982-83		0	\$5,388	0.00%		3.2 0.541	\$2,915	(\$1,917)	
1983-84		0	\$5,388	0.00%		4.3 0.519	\$2,797	(\$2,035)	
1984-85		0	\$5,388	0.00%		3.6 0.501	\$2,700	(\$2,132)	(\$42,756)
1985-86		FORMULA (+\$300)	\$5,688	5.57%		1.9 0.491	\$2,793	(\$2,039)	
1986-87		0	\$5,688	0.00%		3.6 0.473	\$2,691	(\$2,141)	
1987-88		0	\$5,688	0.00%		4.1 0.456	\$2,594	(\$2,238)	
1988-89		0	\$5,688	0.00%		4.8 0.434	\$2,469	(\$2,363)	
1989-90		"PRBA" (+\$133)	\$5,821	2.34%		5.4 0.414	\$2,410	(\$2,422)	
1990-91		"PRBA" (+\$145)	\$5,966	2.49%		4.2 0.396	\$2,363	(\$2,469)	
1991-92		"PRBA" (+\$120)	\$6,086	2.01%		3.1 0.384	\$2,337	(\$2,495)	
1992-93#	TAX -\$100	"PRBA" (+\$97)	\$6,083	-0.05%		3.2 0.372	\$2,263	(\$2,569)	
1993-94		"PRBA" (+\$68)	\$6,151	1.12%		2.7 0.362	\$2,226	(\$2,606)	
1994-95		"PRBA" (+\$0)	\$6,151	0.00%		2.7 0.352	\$2,166	(\$2,666)	
1995-96		"PRBA" (+\$0)	\$6,151	0.00%		2.5 0.343	\$2,112	(\$2,720)	
1996-97*		"PRBA" (+\$0)	\$6,151	0.00%		3.3 0.332	\$2,043	(\$2,789)	----

SOURCE DATA: TRS FILES & US-DOJ/BL (JUNE-1975 \$ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.3% FOR 1997 (CPI-U PROJECTED AT +3.3% PER YEAR).

IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

CHAIR AND MEMBERS OF THE COMMITTEE:

As you consider the merits of HB170 and decide whether or not to give it a do pass, please take into account the following:

-Military service under Section 10 of this bill (19-3-503(1b) , MCA) is being changed in such a way that the cost to buy back military service will be increased by as much as 3 to 4 times the rate at what is currently being charged. For veterans with many years of service to the state and who have not yet purchased their military service because of financial reasons, the payment of this much higher amount will be prohibitive. **Why should they be forced to pay at 3-4 times the rate that other veterans have?**

-The Teachers' Retirement system has allowances for retirement credit for veterans under 19-20-404, MCA. This law gives up to 4 years credit (no cost to the veteran) to veterans who served during the Korean and Vietnam conflicts. There are no proposed changes for purchase of military time in the teacher's retirement system. **THE BASIC QUESTION HERE IS: why are public employees in different public retirement systems treated so differently regarding the purchase/credit of military time served during the Vietnam/Korean conflicts?** The bottom line is; public employees should be treated equally.

-Certainly, PERS must consider the costs of the retirement program and make suggested changes to the legislature to insure its fiscal stability. The cost of allowing credit for military time must be borne by either the veteran, the public, the retirement system itself, or all three. However, treating similarly situated veterans differently in public retirement programs makes no sense at all.

With the above in mind, I would offer the following amendments, in order of preference, to amend HB170:

OPTION 1

Amend Section 10 (19-3-503, MCA) of HB170 to reflect the language that is currently in place in 19-20-404, MCA. The following language would be added to 19-3-503, MCA in either a separate subsection or as part of (1)(a)

A member may receive up to 4 years of creditable service without cost for active service in the armed forces of the United States, which includes the army, navy, marine corps, air force , and coast guard, during the Korean conflict between June 1, 1950, and January 31, 1955, and the Vietnam conflict between December 22, 1961, and May 7, 1975, dates inclusive, if the member has 5 years or more of creditable service in the retirement system.

Option 2

Delete the suggested changes to Section 10 (19-3-503, MCA) from the bill thereby leaving the current statutory language intact.

Option 3

Amend section 10 of this bill to include an exception for those Veterans who served during the Korean and Vietnam conflicts indicating time periods the same as those mentioned in 19-20-404 (1), MCA.

Please note that the same changes proposed for members of PERS regarding military time are also proposed for the highway patrol retirement system under Section 22 of this bill. Again, this would treat another group of public employees (members of the highway patrol) differently than those members of the other retirement systems.

I urge this committee to choose option 1 so that veterans who served during the Korean and Vietnam conflicts be treated equally in all public retirement systems and in the public jobs they now hold. Thank you for your consideration on this issue. I believe that veterans would support these comments and recommendations.

Sincerely,

Michael C. Noble
Veteran
State employee
305 E. Cutler
Helena, Mt 59601
442-2719

SENATE STATE ADMIN.

EXHIBIT NO. 5
DATE 3-18-97
BILL NO. HB 170

Leonard DeVore
PO Box 276
Big Arm MT 59910-0276

March 14, 1997

Re: HB170 (GABA)
Section 11 - 19-3-513

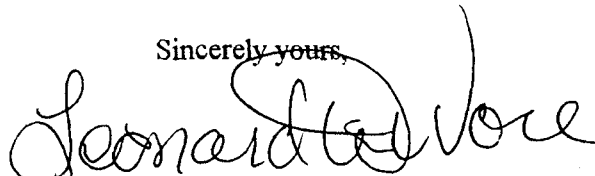
Dear Chairperson and Members of the Committee,

I am employed by the City of Polson. On October 31st of this year I will have twenty-five years of service. I have also purchased 4 years in the current PERS "1 for 5" program and my intent was to purchase my last year on November 1st and then retire. This bill would double my cost to purchase my last year from approximately \$4000 to \$8000.

I am in support of HB 170 and the necessity of changing the current way of purchasing service years. I understand that one of the major problems has been people waiting until their twenty-five years are completed to purchase their five years. This does need to be addressed, but not at the expense of those already committed to the program. I feel the State has an obligation to the people that have already entered into the existing program. Especially if you are just months away from retirement. Anyone within a year of retirement should be able to fulfill their original agreement they had with the State.

Thank you for your consideration.

Sincerely yours,


Leonard DeVore

SENATE STATE ADMIN.

Cost of "Free Military Service" in PERS

PERS Projected Payrolls	FY98	FY99	FY00	FY01
State	\$290,291,598	\$300,451,804	\$310,967,617	\$321,851,484
University System	56,690,521	58,674,689	60,728,303	62,853,794
Local Governments/School District	304,956,952	315,630,445	326,677,511	338,111,224
Total	\$651,939,071	\$674,756,939	\$698,373,432	\$722,816,502

EXHIBIT NO. 6

DATE 3-18-97

BILL NO. HB170

ER Cont increases:	0.5000%	0.5000%	0.5000%	0.5000%
State	1,451,458	1,502,259	1,554,838	1,609,257
University System	283,453	293,373	303,642	314,269
Local Governments	1,524,785	1,578,152	1,633,388	1,690,556
Total	3,259,695	3,373,785	3,491,867	3,614,083
GF Expenditure Increase	\$750,655	\$776,928	\$804,120	\$832,264

MONTANA SENATE
1997 LEGISLATURE
STATE ADMINISTRATION COMMITTEE

ROLL CALL

DATE 3-18-97

[illegible]

DATE 3-18-97

SENATE COMMITTEE ON State Administration

BILLS BEING HEARD TODAY: HB 170

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Pat Clinch	MT State Council Fire Fighters	HB 170	✓	
Terry Terchvae	PERB	HB 170	✓	
Jim Smith	MSPOA	"	✓	
Troy McLoe	MDNT Assoc Christopher MT Police Assoc	170	✓	
Vern Slocum	SELF	170	✓	
Connie Griffith	Dept of Admin	170	✓	
Troy W. Moeke, Sr	PERD	170	✓	
Terry Miron	MFE MFSE	170	✓	
Tom Bledsoe	MEA	170	✓	
Eunalia Larson	QMPRE	170	✓	
Markus Bros	QMPRE	170	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 3-18-97
 SENATE COMMITTEE ON State Administration
 BILLS BEING HEARD TODAY: HB170

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Mike Noble	Self	HB170	X	X
Linda King	PUBLIC EMPLOYEES RETIREMENT BOARD	HB170	✓	
Nick Morrison	Self	HB170	✓	
WARREN BRASS	AMPR	HB170	✓	
Tom Schneider	PEPSCO	HB170	✓	
John Deer Herder	AMPR & PEPSCO	HB170	✓	
Charles C Mesmer	Self	HB170	X	
Willard Kramlich	Self	HB170	✓	
Verner Bertelsen	MSCA	HB170	✓	
ED Johnson	Self	HB170	✓	
Gary Steen	Self	HB170	✓	
GERALD MANS	Self	HB170	✓	
Mary Puppen	Self - Former Glacier Co. Clerk District Court	HB170	X	
Art Whitman	AMPR	HB170	X	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN DON HARGROVE**, on March 25, 1997, at 9:00 a.m., in Room 331.

ROLL CALL

Members Present:

Sen. Don Hargrove, Chairman (R)
Sen. Kenneth "Ken" Mesaros, Vice Chairman (R)
Sen. Vivian M. Brooke (D)
Sen. Delwyn Gage (R)
Sen. Bill Wilson (D)

Members Excused: Sen. Fred Thomas (R)

Members Absent: None

Staff Present: David Niss, Legislative Services Division
Mary Morris, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJR 13, HJR 14, HJR 26 3/11/97
Executive Action: HB 121 BCIAA; HB 170 BCI;
HB 173 BCIAA; HB 216 BCI;
HB 217 BCI; HB 430 BCIAA;
HB 505 BCI; HB 575 BCI;
HJR 13 A; HJR 14 A; HJR 26 A

EXECUTIVE ACTION ON HB 575

Amendments: HB057502.adn (EXHIBIT 1)

Discussion:

Mr. Niss explained the amendment to the Committee. He said if the current version, as amended in I-125, was declared constitutional, HB 575 would take its place. He said this amendment has the affect of bringing up HB 575 if I-125 (current version) was declared constitutional. He said if there was a second court challenge, and that court challenge could be against HB 575 and anyone of the first three tied together by the amendment, was found unconstitutional, then the current version of I-125 would be brought back into affect.

look like as a result of the initiative I-125. **Mr. Niss** said the contingent effective date provision addressed two different court cases. First, it would place 1 through 3 sections in the bill effective on the date of the certification. Furthermore subsection 3 of the effective date section speaks to a different court challenge and, if HB 575 is held unconstitutional, the current version of I-125 would become effective.

SEN. GAGE stated that subsection 2 in the amendment had the provisions that applied to ballot issues and ballot issues were not covered in 13-35-227. **Mr. Niss** stated that 13-35-227 was the provision amended by the I-125 to add ballot issues and he said that was what subsection 2 spoke too. He assured the Committee that the reason they did not see it before them was that the language was struck.

SEN. BROOKE said I-125 was about leveling the playing field and not about a court challenge or the what the amendment proposed. She said the voters made it clear who would spend money on ballot issues.

SEN. MESAROS said I-125 was passed by the voters and that there were people currently challenging it. He said, looking at the court challenges of the parties working through the judicial system and what they perceive to be a level playing field, what this is doing would not necessarily dictate anything different.

SEN. GAGE asked **Mr. Niss**, if they reinstated all the stricken language and took the new language out of 13-35-227, would it look like I-125. **Mr. Niss** said it would.

Vote: The motion that HB057502.adn BE ADOPTED FAILED with **SEN. WILSON**, **SEN. GAGE**, and **SEN. BROOKE** IN FAVOR, AND **CHAIRMAN HARGROVE**, **SEN. MESAROS**, and **SEN. THOMAS** OPPOSED.

{Tape: 1; Side: A; Approx. Time: 9:30 a.m.; Comments: None.}

EXECUTIVE ACTION ON HB 170

Amendments: None

Discussion:

SEN. GAGE asked if HB 170 needed to be coordinated with any other bill. **CHAIRMAN HARGROVE** said there were two bills the committee had to coordinate. He said the proponents for HB 170 were concerned about sending it back to the House.

Motion: **SEN. MESAROS** moved that HB 170 BE CONCURRED IN.

Discussion:

SEN. BROOKE asked if HB 170 involved the university security people. CHAIRMAN HARGROVE said it did not. SEN. MESAROS said he thought they had made significant progress since they heard it two years ago when everyone would like to have supported it but it was very expensive. Now, he felt the committee could support HB 170 due to the tremendous amount of work done on it.

CHAIRMAN HARGROVE agreed with SEN. MESAROS, and said he supported it last time but it had larger impact financially. He said it was important for the future and would save the state a lot of money.

Vote: The motion that HB 170 BE CONCURRED CARRIED UNANIMOUSLY. SEN. TOM BECK would carry the bill on the Senate floor.

EXECUTIVE ACTION ON HB 430

Amendments: HB04301.ash (EXHIBIT 2)

Discussion:

Mr. Niss said there were two MCA sections being amended in more than one bill. He said the amendment he handed out coordinates the provisions of HB 430 with HB 170, and the coordination language was done by Sheri Heffelfinger.

Sheri Heffelfinger explained the amendment.

Linda King said there would not be a different fiscal note on the bill.

Motion/Vote: SEN. BROOKE moved that HB04301.ash BE ADOPTED. The motion CARRIED UNANIMOUSLY.

Motion/Vote: SEN. BROOKE moved that HB 430 BE CONCURRED IN AS AMENDED. The motion CARRIED UNANIMOUSLY. SEN. JOHN HERTEL would carry the bill on the Senate floor.

{Tape: 1; Side: A; Approx. Time: 9:49 a.m.; Comments: End of Tape 1, Side A.}

COMMITTEE DISCUSSION - HB 173

Sheri Heffelfinger explained amendment HB017304.ash (EXHIBIT 3). She said the coordinating instructions were long because there were three bills which needed to be coordinated in HB 173. The bills were HB 505, HB 170, & HB 173. Ms. Heffelfinger directed the committee to sub section (a) which dealt with HB 170 and HB

HOUSE BILL NO. 170

INTRODUCED BY AHNER

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR CERTAIN BENEFIT RECIPIENTS IN THE STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEMS UNDER THE PUBLIC EMPLOYEES' RETIREMENT BOARD; DEFINING "ACTUARIALLY SOUND BASIS"; MAKING THE ANNUAL ADJUSTMENT AN ALTERNATIVE TO CERTAIN EXISTING BENEFITS; INCREASING CONTRIBUTION RATES AND MODIFYING CERTAIN BENEFITS TO FUND THE ADJUSTMENT; PROVIDING THAT CERTAIN COURT FEES BE CREDITED TO THE GENERAL FUND; REQUIRING THAT MEMBERS OF THE PUBLIC EMPLOYEES' AND HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEMS PAY THE FULL ACTUARIAL COST OF PURCHASING CERTAIN SERVICE; ALLOWING MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM WHO BECAME MEMBERS ON OR AFTER JULY 1, 1989, TO PURCHASE ADDITIONAL SERVICE FOR CALCULATING BENEFITS; REDEFINING THE SALARY USED TO CALCULATE CERTAIN BENEFITS UNDER THE JUDGES' AND FIREFIGHTERS' RETIREMENT SYSTEMS; ADJUSTING CERTAIN DEATH BENEFITS PAID UNDER THE JUDGES' AND GAME WARDENS' RETIREMENT SYSTEMS; REPLACING CURRENT POSTRETIREMENT ADJUSTMENTS AND MINIMUM BENEFITS UNDER EACH RETIREMENT SYSTEM FOR CURRENT MEMBERS WHO ELECT THE ANNUAL ADJUSTMENT AND FOR ALL NEW MEMBERS; AMENDING SECTIONS 3-2-404, 3-2-405, 19-3-315, 19-3-316, 19-3-503, 19-3-512, 19-3-513, 19-5-101, 19-5-404, 19-5-502, 19-5-601, 19-5-802, 19-6-402, 19-6-404, 19-6-707, 19-6-709, 19-6-801, 19-8-502, 19-8-504, 19-8-1002, 19-9-702, 19-9-710, 19-9-1007, 19-13-601, 19-13-604, 19-13-704, 19-13-803, 19-13-902, 19-13-1006, 19-13-1007, 19-13-1009, AND 25-1-201, MCA; REPEALING SECTIONS 19-3-1601, 19-3-1602, 19-3-1603, 19-7-708, 19-7-709, 19-7-710, 19-8-1101, 19-8-1102, AND 19-8-1103, MCA; AND PROVIDING AN EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because [sections 1 through 3] give the public employees' retirement board authority to adopt rules to implement the provisions of the bill.

It is the intent of the legislature to guarantee a minimum level of annual benefit increases for retired members and their contingent annuitants or survivors under each of the statewide public employee

1 retirement systems. The legislature also intends to fund this guaranteed annual benefit adjustment (GABA)
2 in the most cost-effective manner possible.

3 Because the GABA is intended to address the erosion of retirement benefits caused by inflation as
4 cost-effectively as possible, it is the intent of the legislature that the guaranteed annual 1.5% minimum
5 adjustment not begin until after the original benefit has been paid for at least 36 months.

6 Because it is most cost-effective to reduce current unfunded liabilities as well as to avoid future
7 unfunded liabilities and to fund new benefits as they accrue, the bill provides that the GABA be substituted
8 for other benefits in cases in which the GABA is as valuable or more valuable to members. The resulting
9 actuarial savings will reduce the additional funding required for the GABA.

10 In the public employees', sheriffs', and game wardens' retirement systems, all members will
11 automatically be covered by the GABA provided for in this bill instead of the current postretirement
12 adjustments based on investment earnings.

13 In the highway patrol officers', municipal police officers', firefighters' unified, and judges' retirement
14 systems, in which the substitution of the GABA in place of other benefits is not a clear benefit
15 enhancement for all current members, it is the intent of the legislature that the members be provided with
16 a thorough analysis of the benefits to be substituted so that members may individually and irrevocably elect
17 whether to be covered under the provisions of this bill. However, it is not the intent of the legislature that
18 the retirement board or its administrative staff be required to recommend a specific or best choice to
19 individual members.

20 It is the intent of the legislature that all future members of these systems be covered by the GABA
21 in place of certain other benefits.

22
23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

24
25 **NEW SECTION.** **Section 1. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),
26 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
27 recipient who is eligible under subsection (3) must be increased by 1.5%.

28 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
29 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
30 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total

1 annualized increase of 1.5% in the benefit paid since the preceding January.

2 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
3 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
4 increase, then the benefit increase provided under this section must be 0%.

5 (c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of
6 the original payee that occurred since the preceding January, the new recipient's monthly benefit must be
7 increased to 1.5% more than the amount that the contingent annuitant would have received had the
8 contingent annuitant received a benefit during the preceding January.

9 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the
10 minimum annual benefit adjustment provided for in this section if:

11 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
12 adjustment is to be made; and

13 (b) the benefit recipient is not an active member of a public retirement system covered by this title.

14 (4) The board shall adopt rules to administer the provisions of this section.

15
16 **NEW SECTION.** **Section 2. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),
17 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
18 recipient who is eligible under subsection (3) must be increased by 1.5%.

19 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
20 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
21 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total
22 annualized increase of 1.5% in the benefit paid since the preceding January.

23 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
24 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
25 increase, then the benefit increase provided under this section must be 0%.

26 (c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of
27 the original payee that occurred since the preceding January, the new recipient's monthly benefit must be
28 increased to 1.5% more than the amount that the contingent annuitant would have received had the
29 contingent annuitant received a benefit during the preceding January.

30 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the

1 minimum annual benefit adjustment provided for in this section if:

2 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
3 adjustment is to be made;

4 (b) the benefit recipient is not an active member of a public retirement system covered by this title;
5 and

6 (c) the member or benefit recipient either:

7 (i) first became an active member on or after [the effective date of this act]; or

8 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed
9 with the board prior to January 1, 1998.

10 (4) The board shall adopt rules to administer the provisions of this section.

11

12 **NEW SECTION. Section 3. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2),

13 on January 1 of each year, the permanent monthly benefit payable during the preceding January to each
14 recipient who is eligible under subsection (3) must be increased by 1.5%.

15 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
16 more adjustments not provided for in this section and the adjustments amount to less than a 1.5%
17 annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total
18 annualized increase of 1.5% in the benefit paid since the preceding January.

19 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
20 adjustments not provided for in this section and the increases amount to more than a 1.5% annualized
21 increase, then the benefit increase provided under this section must be 0%.

22 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the
23 minimum annual benefit adjustment provided for in this section if:

24 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
25 adjustment is to be made;

26 (b) the benefit recipient is not an active member of a public retirement system covered by this title;
27 and

28 (c) the member either:

29 (i) first became an active member on or after [the effective date of this act]; or

30 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed

with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from [the effective date of this act] forward. A retired member or the member's survivor who is receiving a monthly benefit before [the effective date of this act] shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section.

NEW SECTION. Section 4. State contributions for local government and school district employers.

The state shall contribute monthly from the general fund to the pension trust fund a sum equal to 0.1% of the compensation of members employed by local government entities and school districts on and after [the effective date of this act]. The division shall certify amounts due under this section on a monthly basis, and the state treasurer shall transfer those amounts to the pension trust fund within 1 week.

NEW SECTION. SECTION 5. SYSTEMS TO BE FUNDED ON ACTUARIALLY SOUND BASIS --

DEFINITION. AS REQUIRED BY ARTICLE VIII, SECTION 15, OF THE MONTANA CONSTITUTION, EACH SYSTEM MUST BE FUNDED ON AN ACTUARIALLY SOUND BASIS. FOR PURPOSES OF THIS SECTION, "ACTUARIALLY SOUND BASIS" MEANS THAT CONTRIBUTIONS TO EACH SYSTEM MUST BE SUFFICIENT TO PAY THE FULL ACTUARIAL COST OF THE SYSTEM. THE FULL ACTUARIAL COST INCLUDES BOTH THE NORMAL COST OF PROVIDING BENEFITS AS THEY ACCRUE IN THE FUTURE AND THE COST OF AMORTIZING UNFUNDED LIABILITIES OVER A SCHEDULED PERIOD OF NO MORE THAN 30 YEARS.

Section 6. Section 3-2-404, MCA, is amended to read:

"3-2-404. Disposition of fees. Except as otherwise provided by law, ~~three-fourths of all fees collected by the clerk must be paid into the state treasury and shall must be credited to the general fund, and the remaining one-fourth of the fees shall be paid to the public employees' retirement division of the department of administration to be credited to the Montana judges' retirement system account."~~

Section 7. Section 3-2-405, MCA, is amended to read:

"3-2-405. Settlements and accounts to state auditor. (1) The clerk is responsible and ~~must~~ shall account for and, in ~~his~~ the clerk's settlement with the state auditor, must be charged with the full amount of all fees collected or chargeable and accruing in causes brought into the court for services rendered

1 ~~therein~~ up to the time of each settlement. The settlement must take place quarterly, and immediately
2 ~~thereafter~~ after settlement, the clerk ~~must~~ shall pay the amount found due into the treasury ~~or to the public~~
3 ~~employees' retirement division, as provided in 3-2-404.~~

4 (2) ~~He~~ The clerk ~~must~~ shall ~~also~~ at the end of each quarter render to the state auditor, in ~~such a~~
5 form ~~as~~ that ~~the officer~~ state auditor prescribes, an account in detail and under oath of all fees chargeable
6 and accruing in causes brought into court and not included in ~~his~~ the clerk's previous accounts.

7 (3) ~~His~~ The clerk's salary may not be allowed or paid until all fees ~~so accruing~~ for which ~~he~~ the
8 clerk is chargeable have been accounted for and paid ~~over~~."

9
10 **Section 8.** Section 19-3-315, MCA, is amended to read:

11 "**19-3-315. Member's contribution to be deducted.** (1) On and after July 1, ~~1993~~ 1997, the
12 regular contribution of each member is ~~6.70%~~ 6.8% of the member's compensation. Each member's
13 contribution increases to 6.9% beginning July 1, 1999.

14 (2) Payment of salaries or wages less the contribution is full and complete discharge and
15 acquittance of all claims and demands for the service rendered by members during the period covered by
16 the payment, except their claims to the benefits to which they may be entitled under the provisions of this
17 chapter.

18 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
19 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
20 by the member under subsection (1) for service rendered after June 30, 1985.

21 (4) The member's contributions picked up by the employer must be designated for all purposes of
22 the retirement system as the member's contributions, except for the determination of a tax upon a
23 distribution from the retirement system. These contributions must become part of the member's
24 accumulated contributions but must be accounted for separately from those previously accumulated.

25 (5) The member's contributions picked up by the employer must be payable from the same source
26 as is used to pay compensation to the member and must be included in the member's wages, as defined
27 in 19-1-102, and compensation. The employer shall deduct from the member's compensation an amount
28 equal to the amount of the member's contributions picked up by the employer and remit the total of the
29 contributions to the board."

30

1 **Section 9.** Section 19-3-316, MCA, is amended to read:

2 **"19-3-316. Employer contribution rates.** (1) Each employer shall contribute to the cost of benefits
3 under the system. ~~On and after July 1, 1993~~ Except as provided in subsection (2), the amount of the
4 employer contributions is 6.70% of each contribution as a percentage of the employer's covered payroll
5 is 6.8% beginning July 1, 1997, and increases to 6.9% beginning July 1, 1999.

6 (2) Local government and school district employer contributions must be the total employer
7 contribution rate provided in subsection (1) minus the state contribution rate applied to their monthly
8 covered payrolls under [section 4]."

9
10 **Section 10.** Section 19-3-503, MCA, is amended to read:

11 **"19-3-503. Election to qualify military service.** (1) (a) ~~A~~ Except as provided in subsection (2), a
12 member with 10 years or more of service credits may, at any time prior to retirement, make a written
13 election with the board to purchase service credits for all or any portion of the member's active service in
14 the armed forces of the United States, including the first special service force or the American merchant
15 marine in oceangoing service during the period of armed conflict, December 7, 1941, to August 15, 1945,
16 up to a maximum of 5 years, if the member is not otherwise eligible to receive service credit for this same
17 service pursuant to 19-2-705 or is ineligible under subsection (2)(a).

18 (b) To qualify this service, the member shall contribute to the pension trust fund the ~~amount~~
19 ~~determined by the board to be due based on the member's compensation and regular contribution rate as~~
20 ~~of the member's 11th year and as many succeeding years as are required to qualify this service, with~~
21 ~~regular interest from the date the member becomes eligible for this benefit to the date the member~~
22 ~~contributes. The member may not purchase more of this service credit than the member has service credits~~
23 ~~in excess of 10 years~~ actuarial cost of the service credit based on the most recent actuarial valuation of
24 the system.

25 (2) (a) If a member has retired from active duty in the armed forces of the United States, including
26 the first special service force or the American merchant marine in oceangoing service during the period of
27 armed conflict, December 7, 1941, to August 15, 1945, with a military service retirement benefit, the
28 member may not qualify the member's military service under subsection (1).

29 (b) However, a member who is serving or has served in the military reserves with the expectation
30 of receiving a military service pension may qualify the member's active military service under subsection

1 (1) if the member's active duty in the armed forces of the United States, including the first special service
2 force or the American merchant marine in oceangoing service during the armed conflict, December 7, 1941
3 to August 15, 1945, is not more than 25% of the total sum of all years of military service including reserve
4 and active duty time."

5

6 **Section 11.** Section 19-3-512, MCA, is amended to read:

7 **"19-3-512. Qualification of service from other public retirement systems.** (1) A member with 5
8 or more years of membership service in the public employees' retirement system may qualify:

9 (a) public service employment covered under a public retirement system other than a system
10 provided for in Title 19 for which the member received a refund of the member's membership contribution;
11 and

12 (b) public service employment that occurred before the public employer adopted a public retirement
13 system.

14 (2) A member may not qualify more than 5 years of service under this section. To qualify this
15 service, a member shall:

16 (a) at any time before retirement make a written election with the board to qualify the service; and

17 (b) contribute to the pension trust fund the actuarial cost of granting the service in the public
18 employees' retirement system, as determined by the board, based on:

19 ~~(i) the member's compensation in the sixth year of service covered under the public employees'~~
20 ~~retirement system; and~~

21 ~~(ii) the most recent actuarial valuation of the system.~~

22 (3) Contributions to qualify service under this section may be made in a lump-sum payment or by
23 making additional contributions in installments as agreed upon by the member and the board.

24 (4) Service qualified under this section may not be:

25 (a) credited in any other retirement system under Title 19; or

26 (b) used to qualify a member to purchase military service under 19-3-503.

27 (5) Service qualified under this section may not be used in calculating a member's retirement
28 benefit unless the member's last 5 years of service credit were earned under the public employees'
29 retirement system. If a member's qualified service may not be used in calculating the member's retirement
30 benefit, the member may choose to receive a refund of the accumulated contributions made to qualify the

1 service."

2
3 **Section 12.** Section 19-3-513, MCA, is amended to read:

4 **"19-3-513. Election to purchase additional service.** (1) At any time before retirement, a person
5 ~~who became a member of the retirement system before July 1, 1989, and~~ who has 5 years or more of
6 membership service may make a written election with the board to purchase additional service credit for
7 the purpose of calculating the member's retirement benefit. Except as provided in subsection (3), the
8 member may purchase 1 year of additional service credit for each 5 years of membership service that the
9 member has qualified under the retirement system, up to a maximum of 5 years of additional service.

10 (2) For each year of service credit purchased under this section, a member shall contribute to the
11 pension trust fund ~~an amount equal to the member's compensation for the 12 month period immediately~~
12 ~~preceding the date the member elects to purchase the service multiplied by the combined employee and~~
13 ~~employer contribution rates contained in 19-3-315 and 19-3-316~~ the actuarial cost of the service credit
14 based on the most recent actuarial valuation of the system. Contributions may be made in a lump-sum
15 payment or by making additional contributions in installments as agreed upon by the member and the board.

16 (3) (a) Except as provided in subsection (3)(b), ~~after January 1, 1990,~~ a member may elect to
17 qualify a combined total of 5 years of service under 19-3-503, 19-3-512, or this section.

18 (b) A member who has purchased service under 19-3-503 or 19-3-512 on or before January 1,
19 1990, and who elects to purchase service under this section shall receive credit for the full months of
20 service purchased on or before January 1, 1990.

21 (4) Service purchased under this section is not membership service and may not be used to qualify
22 a member for service retirement."
23

24 **Section 13.** Section 19-5-101, MCA, is amended to read:

25 **"19-5-101. Definitions.** Unless a different meaning is plainly implied by the context, the following
26 definitions apply in this chapter:

27 (1) "Compensation" means remuneration as defined in 2-16-403, 3-5-211, and 3-7-222 paid to
28 a member.

29 (2) "Current salary" means the current compensation for the office retired from.

30 (3) "Final average salary" means the average of the member's highest monthly compensation

1 during any 36 consecutive months of membership service in the retirement system.

2 (4) "Involuntary retirement" means a retirement not for cause and before retirement age.

3 ~~(4)(5)~~ "Retired judge" means any judge or justice in receipt of a retirement benefit under this
4 chapter."

5
6 **Section 14.** Section 19-5-404, MCA, is amended to read:

7 **"19-5-404. Contributions by state.** (1) ~~The~~ Except as provided in subsection (2), the state of
8 Montana shall contribute monthly to the pension trust fund a sum equal to 6% 25.81% of the
9 compensation of each member. In addition, the clerk of each district court shall transmit 68% of certain
10 filing fees as required under 25-1-201(2) and that portion of the fee for filing a petition for dissolution of
11 marriage and a motion for substitution of a judge specified in 25-1-201(4) and (6) to the state, which shall
12 first deposit in the pension trust fund an amount equal to 34.71% of the total compensation paid to district
13 judges and supreme court justices who are covered by the judges' retirement system and then deposit the
14 balance in the state general fund. The clerk of the supreme court shall pay one fourth of the fees collected
15 under 3-2-403 to the division to be credited to the pension trust fund.

16 (2) The state of Montana shall contribute monthly from the renewable resource grant and loan
17 program account in the state special revenue fund to the judges' pension trust fund an amount equal to
18 ~~34.71%~~ 25.81% of the compensation paid to the chief water court judge."

19
20 **Section 15.** Section 19-5-502, MCA, is amended to read:

21 **"19-5-502. Service retirement benefit.** Upon retirement from service, ~~a member must receive a~~
22 the service retirement benefit equal to must be as follows:

23 (1) for members not covered under [section 2], 3 1/3% per year of the member's current salary
24 for the first 15 years of credited service and 1.785% per year for each year of credited service after 15
25 years; or

26 (2) for members covered under [section 2], the benefit provided under subsection (1) except that
27 the benefit must be calculated using final average salary."

28
29 **Section 16.** Section 19-5-601, MCA, is amended to read:

30 **"19-5-601. Disability retirement benefit.** In case of the disability of a member, a disability

retirement benefit must be granted the member in an amount actuarially equivalent to the service retirement benefit standing to the member's credit at the time of the member's disability retirement. If the disability is a direct result of any service to the Montana judiciary in the line of duty, the ~~member must receive a benefit equal to~~ member's disability retirement benefit must be no less than:

(1) ~~one-half of the member's final current salary or the benefit provided in 19-5-502, whichever is greater~~ for a person not covered under [section 2]; or

(2) one-half of the member's final average salary for a person covered under [section 2]."

Section 17. Section 19-5-802, MCA, is amended to read:

"19-5-802. Payments in case of death from other causes. (1) If a retired member who ~~chose a regular~~ is not covered under [section 2] and who did not choose an option 2, 3, or 4 form of retirement benefit payment under 19-5-701 dies before receiving payments equal to the present value of the member's retirement benefit as it was at the time of the member's retirement, the balance must be paid to the member's designated beneficiary in a lump sum. At the designated beneficiary's request, the lump sum may be paid as an actuarially equivalent annuity that will not be subject to increases for any purpose.

(2) Upon the death of a retiree who did not choose an option 2, 3, or 4 form of retirement benefit payment under 19-5-701 and who is covered under [section 2], the member's designated beneficiary must be paid the unpaid balance of the retiree's benefit. The benefit must be calculated by subtracting the total benefits paid to the member during the member's lifetime from the member's total amount of contributions and interest on account as that amount was on the day that the member retired.

(3) If a member dies before reaching retirement age, the member's designated beneficiary is entitled to a monthly survivorship benefit that is the actuarial equivalent of the involuntary retirement options ~~as~~ provided in 19-5-503."

Section 18. Section 19-6-402, MCA, is amended to read:

"19-6-402. Member's contribution. (1) ~~Each~~ (a) A member not covered under [section 3] shall contribute into the pension trust fund ~~a sum equal to 9% of the member's monthly compensation, which must be deposited to the member's credit in the pension trust fund.~~

(b) A member covered under [section 3] shall contribute to the pension trust fund 9.05% of the member's monthly compensation.

1 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954
2 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
3 by the member under subsection (1) for service rendered after June 30, 1985.

4 (3) The member's contributions picked up by the employer must be designated for all purposes of
5 the retirement system as the member's contributions, except for the determination of a tax upon a
6 distribution from the retirement system. These contributions must become part of the member's
7 accumulated contributions but must be accounted for separately from those previously accumulated.

8 (4) The member's contributions picked up by the employer must be payable from the same source
9 as is used to pay compensation to the member and must be included in the member's wages as defined
10 in 19-1-102 and compensation as used to define the member's final average salary in 19-6-101. The
11 employer shall deduct from the member's compensation an amount equal to the amount of the member's
12 contributions picked up by the employer and remit the total of the contributions to the board."

13

14 **Section 19.** Section 19-6-404, MCA, is amended to read:

15 **"19-6-404. State's contribution.** The state of Montana shall annually contribute to the pension
16 trust fund an amount equal to ~~36.28%~~ 36.33% of the total compensation paid to the members from the
17 following sources:

18 (1) an amount equal to ~~26.10%~~ 26.15% of the total compensation of the members is payable from
19 the same source that is used to pay compensation to the members; and

20 (2) an amount equal to 10.18% of the total compensation of the members is payable from a portion
21 of the fees from driver's licenses and duplicate driver's licenses as provided in 61-5-121."

22

23 **Section 20.** Section 19-6-707, MCA, is amended to read:

24 **"19-6-707. Minimum monthly benefit.** (1) Subject to the limitations contained in subsection (2),
25 the following retired members, or and their survivors, who are not covered by [section 3] are eligible to
26 receive a monthly benefit of not less than 2% multiplied by the member's service credits multiplied by the
27 current base compensation received by a probationary highway patrol officer:

28 (a) a retired member who is 55 years of age or older, except as provided in subsection (3), or the
29 member's survivor, who is receiving a service retirement benefit;

30 (b) a retired member, or the member's survivor, who is receiving a disability retirement benefit; and

1 (c) a recipient of a survivorship benefit.

2 (2) (a) The maximum monthly benefit paid under subsection (1) may not exceed 60% of the current
3 base compensation of a probationary highway patrol officer.

4 (b) The annual increase in a monthly benefit under subsection (1) may not exceed 5% of the
5 current monthly benefit paid to a retired member or the member's survivor.

6 (3) A retired member otherwise qualified under subsection (1)(a) who is employed in a position
7 covered by a retirement system under Title 19 is ineligible to receive the minimum monthly benefit provided
8 for in this section until the member's service in the covered position is terminated."

9
10 **Section 21.** Section 19-6-709, MCA, is amended to read:

11 **"19-6-709. (Temporary) Supplemental benefits for certain retirees.** (1) In addition to any retirement
12 benefit payable under this chapter, a retired member or a survivor determined by the board to be eligible
13 under subsection (2) must receive an annual lump-sum benefit payment beginning in September 1991 and
14 each succeeding year as long as the member remains eligible.

15 (2) To be eligible for the benefits under this section, a person must be receiving a monthly benefit
16 before July 1, 1991, may not be covered by [section 3], and must be:

17 (a) a retired member who is 55 years of age or older and who has been receiving a service
18 retirement benefit for at least 5 years prior to the date of distribution;

19 (b) a survivor of a member who would have been eligible under subsection (2)(a); or

20 (c) a recipient of a disability or survivorship benefit under 19-6-601 or 19-6-901.

21 (3) A retired member otherwise qualified under this section who is employed in a position covered
22 by a retirement system under Title 19 is ineligible to receive any lump-sum benefit payments provided for
23 in this section until the member's service in the covered position is terminated. Upon termination of the
24 member's covered service, the retired member becomes eligible in the next fiscal year succeeding the
25 member's termination.

26 (4) (a) Twenty-five cents of each motor vehicle registration fee provided for in 61-3-321 must be
27 deposited in the pension trust fund at the end of each fiscal year. The fee is statutorily appropriated, as
28 provided in 17-7-502, for payment of benefits to eligible recipients. The total funds must be distributed by
29 the division in lump-sum payments to eligible recipients along with their normal retirement benefit payment.

30 (b) The lump-sum payment must be distributed proportionally to all eligible recipients based on

1 service credit at the time of retirement, subject to the following:

2 (i) a recipient under subsection (2)(c) is considered to have 20 years of service for the purposes
3 of the distributions;

4 (ii) any recipient of a service retirement benefit exceeding the maximum monthly benefit under
5 19-6-707(2)(a) must have the recipient's service credit reduced 25% for the purposes of the distributions;

6 (iii) the maximum annual increase in the amount of supplemental benefits paid to each individual
7 under this section ~~after August 31, 1993~~, is the percentage increase for the previous calendar year in the
8 annual average consumer price index for urban wage earners and workers, compiled by the bureau of labor
9 statistics of the United States department of labor or its successor agency.

10 (c) Any amount deposited in the pension trust fund under subsection (4)(a) for the payment of
11 supplemental benefits under this section that exceeds the limitation of subsection (4)(b)(iii) must be used
12 to amortize unfunded liabilities of the retirement system.

13 (5) Every 10 years following July 1, 1991, the division shall review the size of the additional fee
14 collected under 61-3-321(5) and deposited in the account in accordance with subsection (4)(a) and
15 recommend to each legislature following the division's review any legislation necessary to reduce the fee
16 to the minimum amount necessary to provide the supplemental benefits provided by this section."

17

18 **Section 22.** Section 19-6-801, MCA, is amended to read:

19 **"19-6-801. Election to qualify military service.** (1) A member with 15 years or more of service
20 credit with the Montana highway patrol may, at any time prior to retirement, make a written election with
21 the division to qualify all or any portion of the member's active service in the armed forces of the United
22 States for the purpose of calculating retirement benefits, up to a maximum of 5 years, if the member is not
23 otherwise eligible to receive service credit for this same service pursuant to 19-2-705.

24 (2) To qualify this service ~~the~~:

25 (a) a member not covered by [section 3] shall contribute to the account the amount determined
26 by the division to be due based on the member's compensation and regular contribution rate as of the
27 member's 16th year and as many succeeding years as are required to qualify this service, with interest from
28 the date the member becomes eligible for this benefit to the date the member contributes. The member may
29 not qualify more of this service than the member has service with the Montana highway patrol in excess
30 of 15 years.

(b) a member covered by [section 3] shall contribute the actuarial cost of the service credit based on the most recent actuarial valuation of the system."

Section 23. Section 19-8-502, MCA, is amended to read:

"19-8-502. Member's contribution. (1) ~~Every~~ Each member is required to contribute into the pension trust fund ~~a sum equal to 7.9%~~ 8.5% of the member's monthly compensation, which ~~sum~~ must be deposited to the member's credit in the pension trust fund.

(2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable by the member under subsection (1) for service rendered after June 30, 1985.

(3) The member's contributions picked up by the employer must be designated for all purposes of the retirement system as the member's contributions, except for the determination of a tax upon a distribution from the retirement system. These contributions must become part of the member's accumulated contributions but must be accounted for separately from those previously accumulated.

(4) The member's contributions picked up by the employer must be payable from the same source as is used to pay compensation to the member and must be included in the member's wages as defined in 19-1-102 and the member's compensation as used to define the member's final average salary in 19-8-101. The employer shall deduct from the member's compensation an amount equal to the amount of the member's contributions picked up by the employer and remit the total of the contributions to the board."

Section 24. Section 19-8-504, MCA, is amended to read:

"19-8-504. State's contribution. Each month, the state treasurer shall pay to the pension trust fund out of the department of fish, wildlife, and parks funds, a sum equal to ~~8.15%~~ 9% of all members' salaries."

Section 25. Section 19-8-1002, MCA, is amended to read:

"19-8-1002. Postretirement death payments. If a ~~retired~~ member who retires on or after [the effective date of this act] and who has not chosen an ~~optional~~ option 2, 3, or 4 retirement benefit under 19-8-801 dies before receiving an amount equal to the ~~present value of the member's service retirement~~

1 ~~benefit under 19-8-603~~ member's total amount of contributions and interest on account as ~~if~~ that amount
2 was at the time of the member's retirement, the balance must be paid to the member's designated
3 beneficiary in a lump-sum payment. ~~At the option of the designated beneficiary, the lump-sum payment may~~
4 ~~be annuitized and paid over the beneficiary's lifetime; however, the payment is not a benefit subject to~~
5 ~~increases."~~

6
7 **Section 26.** Section 19-9-702, MCA, is amended to read:

8 **"19-9-702. State contribution.** The state of Montana shall make its contributions through the state
9 auditor out of the premium tax on motor vehicle property and casualty insurance policies. The payments
10 must be made annually after the end of each fiscal year but no later than November 1 from the gross
11 premium tax after deduction for cancellations and returned premiums. The division shall notify the auditor
12 by September 1 of each fiscal year of the annual compensation paid to all active members during the
13 preceding fiscal year. The state's contribution is ~~15.66%~~ 15.96% of compensation paid to members."

14
15 **Section 27.** Section 19-9-710, MCA, is amended to read:

16 **"19-9-710. Member's contribution.** (1) ~~The~~ Except as provided in subsection (2), the regular
17 contribution as a percentage of compensation of each active member first employed by an employer as a
18 police officer:

19 (a) on or before June 30, 1975, is 7.8% of the member's compensation;

20 (b) in the case of a member first employed by an employer as a police officer after June 30, 1975,
21 the contribution is 9% of the member's compensation;

22 (c) in the case of a member first employed by an employer as a police officer after June 30, 1979,
23 but before [the effective date of this act], the contribution is 10.5% of the member's compensation; and

24 (d) on and after [the effective date of this act], is 11%.

25 (2) A member covered under [section 3] shall pay a contribution rate equal to 11% of
26 compensation received on and after [the effective date of this act].

27 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954
28 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
29 by the member under subsections (1) and (2) for service rendered after June 30, 1985.

30 (4) The member's contributions picked up by the employer must be designated for all purposes

1 of the retirement system as the member's contributions, except for the determination of a tax upon a
2 distribution from the retirement system. These contributions must become part of the member's
3 accumulated contributions but must be accounted for separately from those previously accumulated.
4 ~~(4)~~(5) The member's contributions picked up by the employer must be payable from the same
5 source as is used to pay compensation to the member and must be included in the member's wages as
6 defined in 19-1-102 and in the member's compensation as defined in 19-9-104. The employer shall deduct
7 from the member's compensation an amount equal to the amount of the member's contributions picked up
8 by the employer and remit the total of the contributions to the board."

9
10 **Section 28.** Section 19-9-1007, MCA, is amended to read:

11 **"19-9-1007. Supplement to certain benefits.** (1) The benefits paid in each fiscal year to a retired
12 member or the member's survivors and that are not covered by [section 3] may not be less than one-half
13 of the compensation that will be paid in the current fiscal year in the appropriate city or town to newly
14 confirmed police officers.

15 (2) On or before October 1 of each year, the division shall make a report including the following
16 information:

17 (a) the names of all retired members who are receiving benefits from the retirement system as of
18 the date of the report;

19 (b) the names of all surviving spouses or dependent children who are receiving benefits from the
20 retirement system because of the death of an active or retired member of this or a prior plan;

21 (c) for the purpose of determining the base retirement, disability, or survivorship benefits for the
22 computations set forth in subsection (3), the following information relating to the base fiscal year
23 commencing July 1, 1976:

24 (i) the amount of the benefits paid in the base fiscal year to each retired member described in
25 subsection (2)(a);

26 (ii) the amount of the benefits paid in the base fiscal year to each surviving spouse or dependent
27 child described in subsection (2)(b);

28 (iii) upon the death after the base fiscal year of any retired member who was receiving benefits, the
29 amount of benefits that would have been paid to an eligible surviving spouse of the retired member if the
30 surviving spouse had been receiving benefits in the base fiscal year;

1 (d) the original amount of retirement, disability, or survivorship benefits paid to retired member
2 or their eligible survivors as of the original retirement dates after July 1, 1975;

3 (e) the compensation that will be paid during the current fiscal year to a newly confirmed police
4 officer of each city or town participating in the retirement system.

5 (3) The division shall compute the difference between each amount reported under subsection
6 (2)(c) through (2)(e) and one-half the compensation to be paid during the current fiscal year to a new
7 confirmed police officer of the appropriate city or town. The difference must be reported to the state auditor
8 who shall pay the difference to the pension trust fund out of the premium tax collected on insurance sold
9 in this state to insure against the risks enumerated in 19-18-512(3) no later than November 1. If the
10 compensation of a newly confirmed police officer has not been set for the current fiscal year in time to be
11 included in the October 1 report to the state auditor, the division shall make any retroactive adjustment
12 necessary to individual supplemental benefits after the current compensation has been determined and shall
13 include these amounts in the next year's report for reimbursement at that time.

14 (4) The premium tax amount paid by the state auditor is statutorily appropriated, as provided in
15 17-7-502, for the payment of supplemental retirement benefits to eligible retired members and their
16 survivors. This payment is in addition to the payment to be made by the state auditor under 19-9-702.

17 (5) If more than one dependent child is entitled to supplementary benefits under this section by
18 virtue of the death of a common parent, the minimum benefit paid to the dependent children under this
19 section must be determined as if there were one dependent child and the supplementary benefits must be
20 paid to the dependent children collectively."

21

22 **Section 29.** Section 19-13-601, MCA, is amended to read:

23 **"19-13-601. Deduction remitted to firemen's association -- member's contribution.** (1) Each
24 employer shall retain from the compensation of each active member a sum equal to 1% of the member's
25 compensation for services as a firefighter and shall remit this amount on a monthly basis to the Montana
26 state firemen's association for the payment of premiums on a group life and accidental death and
27 dismemberment insurance policy for members and to defray expenses incurred by the association when
28 representing members of the retirement system.

29 (2) ~~The~~ Each member's contribution to the retirement system ~~is 7.8% as a percentage of the~~
30 member's compensation must be:

1 (a) 7.8% for a member not covered under [section 3]; or

2 (b) 9% for a member covered under [section 3].

3 (3) If a member receives compensation under the provisions of the Workers' Compensation Act,
4 Title 39, chapter 71, the amount received must be included as part of the member's compensation for
5 purposes of determining contributions and service credits under the retirement system. Contributions made
6 under 19-13-604, 19-13-605, and this section must be based on the total compensation received by the
7 member from the employer and from workers' compensation during the period of disability.

8 (4) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, as amended
9 and applicable on July 1, 1987, shall pick up and pay the contributions that would be payable by the
10 member under subsection (2) for service rendered after June 30, 1987.

11 (5) The member's contributions picked up by the employer must be designated for all purposes of
12 the retirement system as the member's contributions, except for the determination of a tax upon a
13 distribution from the retirement system. These contributions must become part of the member's
14 accumulated contributions but must be accounted for separately from those previously accumulated.

15 (6) The member's contributions picked up by the employer must be payable from the same source
16 as is used to pay compensation to the member and must be included in the member's compensation as
17 defined in 19-13-104. The employer shall deduct from the member's compensation an amount equal to the
18 amount of the member's contributions picked up by the employer and remit the total of the contributions
19 to the board."

20
21 **Section 30.** Section 19-13-604, MCA, is amended to read:

22 **"19-13-604. State contribution.** The state shall make its contributions through the state auditor
23 from the premium taxes on the insurance risks enumerated in 19-18-512. These payments must be made
24 annually to the pension trust fund after the end of each fiscal year but no later than November 1 from the
25 gross premium taxes after deduction for cancellations and returned premiums. The division shall notify the
26 auditor of the annual compensation, excluding overtime, holiday payments, shift differential payments,
27 compensatory time payments, and payments in lieu of sick leave, paid to all active members during the
28 preceding year. The state's contribution is ~~24.21%~~ 24.5% of this total compensation. As soon as
29 practicable after receipt of the state contribution, the division shall deposit it in the pension trust fund."
30

1 **Section 31.** Section 19-13-704, MCA, is amended to read:

2 **"19-13-704. Amount of service retirement benefit.** (1) Except as provided in subsection (3), the
3 following retirement benefits apply:

4 (a) A member ~~hired before July 1, 1981~~, who elects to retire after having reached 20 years of
5 membership service must receive a service retirement benefit equal to the sum of:

6 (i) 50% of the member's last monthly compensation for years of service credit up to and including
7 20 years; and

8 (ii) 2% of the member's last monthly compensation for each year of service credit after 20 years.

9 (b) A member ~~hired before July 1, 1981~~, who elects to retire after having reached at least 10 years
10 but less than 20 years of membership service as an active member must receive a service retirement benefit
11 equal to 2% of the member's last monthly compensation for each year of service credit. ~~Upon the retired~~
12 ~~member's death, the benefit must be made to the surviving spouse. If there is no surviving spouse or if the~~
13 ~~surviving spouse dies and if the member leaves one or more dependent children, the children are entitled~~
14 ~~to receive the allowance as long as they remain dependent children as defined in 19-13-104.~~

15 (2) A member hired on or after July 1, 1981, who retires with at least 10 years of membership
16 service must receive a service retirement benefit equal to 2% of the member's final average compensation
17 for each year of service credit.

18 (3) A member hired before July 1, 1981, and who is covered under [section 3] is entitled to the
19 same benefit provided under subsection (1) or (2), except that the benefit must be calculated using final
20 average compensation.

21 (4) Upon a retired member's death, the benefit must be made to the surviving spouse. If there is
22 no surviving spouse or if the surviving spouse dies and if the member leaves one or more dependent
23 children, the children are entitled to receive the allowance as long as they remain dependent children as
24 defined in 19-13-104."

25
26 **Section 32.** Section 19-13-803, MCA, is amended to read:

27 **"19-13-803. Amount of disability retirement benefit.** (1) A Except as provided in subsection (3),
28 the disability retirement benefit for a member hired before July 1, 1981, who becomes disabled:

29 (a) before completing 20 years of membership service must ~~receive a disability retirement benefit~~
30 equal to one-half the member's last monthly compensation;

(b) after completing 20 years or more of membership service must ~~receive~~ equal the disability retirement benefit provided in subsection (1)(a) increased at a rate of 2% of the member's last monthly compensation for each year of service credit in excess of 20.

(2) A Except as provided in subsection (3), the disability retirement benefit for a member hired on or after July 1, 1981, who becomes disabled:

(a) before completing 25 years of membership service must ~~receive a disability retirement benefit~~ equal to one-half the member's last monthly compensation;

(b) after completing 25 years or more of membership service must ~~receive~~ equal the disability retirement benefit provided in subsection (2)(a) increased at a rate of 2% of the member's last monthly compensation for each year of service credit in excess of 25.

(3) A member covered under [section 3] is entitled to the same benefit as provided in subsection (1) or (2) except that the benefit must be calculated using final average compensation.

(4) A member's disability retirement benefit must be paid first to the member during the member's lifetime and, upon the member's death, to the member's surviving spouse. If upon a member's death the member leaves no surviving spouse or upon the death of the surviving spouse, the member's benefit must be paid to the member's dependent children as long as they remain dependent children as defined in 19-13-104."

Section 33. Section 19-13-902, MCA, is amended to read:

"19-13-902. Survivorship benefit. (1) ~~(a) Upon the death before retirement~~ Except as provided in subsection (3), the survivorship benefits payable to the surviving spouse upon the death of an active member hired before July 1, 1981, ~~the member's surviving spouse, if there is one, must receive a survivorship benefit equal to~~ must be as follows:

(a) one-half the last monthly compensation received by the member; or, if the member leaves one or more dependent children, then, upon the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse, the member's dependent children must collectively receive the same benefit that a surviving spouse would have received, as long as the children remain dependent children as defined in 19-13-104.

(b) ~~if~~ if the deceased member completed over 20 years of membership service, the survivorship benefit provided in subsection (1)(a) ~~must be~~ increased at a rate of 2% of the last monthly compensation

1 for each year of service in excess of 20.

2 (2) Upon the death before retirement of a member hired on or after July 1, 1981, the member's
3 surviving spouse, if there is one, must receive a survivorship benefit equal to one-half of the member's final
4 average compensation.

5 (3) The benefit payable to the surviving spouse upon the death of an active member covered under
6 [section 3] must be the same as provided under subsection (1) or (2) except that the benefit must be
7 calculated using final average compensation.

8 (4) If the member leaves one or more dependent children, then, upon the member's death if the
9 member leaves no surviving spouse or upon the death of the surviving spouse, the member's dependent
10 children must collectively receive the same benefit that a surviving spouse would have received, as long
11 as the children remain dependent children as defined in 19-13-104."

12
13 **Section 34.** Section 19-13-1006, MCA, is amended to read:

14 **"19-13-1006. Supplement to retirement benefits for persons retiring before July 1, 1973.** (1) The
15 Except for persons who elect to be covered under [section 3], the retirement system shall pay to each
16 member retired before July 1, 1973, or the member's surviving spouse or dependent children a monthly
17 retirement benefit of not less than one-half the regular monthly compensation paid to a confirmed active
18 firefighter of the city that last employed the member as a firefighter, as provided each year in the budget
19 of that city. If the city that last employed the member as a firefighter no longer employs a full-paid
20 firefighter, the member's or survivor's benefit may not be less than one-half the average regular monthly
21 compensation paid to all newly confirmed full-paid firefighters, as provided each year in the budgets of
22 those cities that participate in the retirement system and employ a full-paid firefighter. In the case of
23 volunteer firefighters, the retirement benefit may not exceed \$75 per month. Distribution of the money
24 provided for this purpose under 19-18-606(1) must be made according to subsection (2).

25 (2) (a) At the beginning of each fiscal year the division shall request and, except as provided in
26 subsection (2)(b), the state auditor shall issue from the state special revenue fund and deliver to the division
27 an amount certified to be equal to the total annual dollar difference between the total retirement benefits
28 paid to all retirees or their surviving spouses or dependent children in the previous fiscal year and the total
29 benefits payable on June 30, 1973. The division shall deposit this money into the pension trust fund.

30 (b) If insufficient money is contained in the state special revenue fund to pay the amount requested

in subsection (2)(a), the auditor shall pay to the division the balance contained in the state special revenue fund. The division shall continue to request any portion of the amount requested under subsection (2)(a) not paid in previous fiscal years plus sufficient interest to reimburse the pension trust fund, which amounts must be paid to the division prior to determining whether sufficient cash remains in the special revenue fund to make any payments into the account established in 19-13-615. The auditor shall pay the requests as money in the state special revenue fund becomes available."

Section 35. Section 19-13-1007, MCA, is amended to read:

"19-13-1007. ~~Benefit~~ Minimum benefit adjustment. (1) ~~For~~ Except for persons who elect to be covered under [section 3], a member retiring on or after July 1, 1973, who was hired before July 1, 1981, or the member's surviving spouse or dependent children, the service retirement benefit provided in 19-13-704(1)(a), the disability retirement benefit provided in 19-13-803(1), and the survivorship benefit provided in 19-13-902(1) may not be less than one-half the monthly compensation paid to a newly confirmed, active firefighter of a city that last employed the member as a firefighter, as provided each year in the budget of that city.

(2) For a member hired on or after July 1, 1981, or the member's surviving spouse or dependent children, the disability retirement benefit provided in 19-13-803(2) and the survivorship benefit provided in 19-13-902(2) may not be less than one-half the monthly compensation paid to a newly confirmed, active firefighter of a city that last employed the member as a firefighter, as provided each year in the budget of that city.

(3) If after a member retires, the city that last employed the member no longer employs a full-paid firefighter, the member's or survivor's benefit under subsections (1) and (2) must be adjusted on the basis of the average monthly compensation paid to all newly confirmed full-paid firefighters, as provided each year in the budgets of those cities that participate in the retirement system and employ a full-paid firefighter.

(4) ~~¶~~ Except for persons who elect to be covered under [section 3], if the employment of a vested member hired before July 1, 1981, is involuntarily discontinued because of the termination of employment of all full-paid firefighters in the city that employed the member, the member's service retirement benefit provided in 19-13-704(1)(b) and the member's spouse's or dependent child's survivorship benefit provided in 19-13-902(1) may not be less than:

1 (a) if the member has earned 20 years or more of membership service, one-half the average
2 monthly compensation paid to all newly confirmed, full-paid firefighters, as provided each year in the
3 budgets of those cities that participate in the retirement system and employ a full-paid firefighter; or

4 (b) if the member has earned more than 10 but less than 20 years of membership service, 2% of
5 the average monthly compensation paid to all newly confirmed, full-paid firefighters, as provided each year
6 in the budgets of those cities that participate in the retirement system and employ a full-paid firefighter
7 for each year of the member's service."

8
9 **Section 36.** Section 19-13-1009, MCA, is amended to read:

10 **"19-13-1009. Supplement to retirement benefits for persons hired on or after July 1, 1981.** (1)
11 ~~The~~ Except for persons who elect to be covered under [section 3], the division shall pay a supplemental
12 benefit from the account provided for in 19-13-615 to each member hired on or after July 1, 1981, who
13 has earned 20 years of membership service as an active firefighter or to the member's surviving spouse
14 or dependent children. Except as provided in subsection (2), the supplemental benefit, when added to the
15 service retirement benefit, must equal one-half the regular monthly compensation paid to a newly confirmed
16 full-paid active firefighter of the city that last employed the member as a firefighter as provided each year
17 in the budget of that city. If after a member retires, the city that last employed the member no longer
18 employs a full-paid firefighter, the member's supplemental benefit must be calculated on the basis of the
19 average monthly compensation paid to all newly confirmed full-paid firefighters, as provided each year in
20 the budgets of those cities that participate in the retirement system and employ a full-paid firefighter.

21 (2) If the amount available to the account is insufficient to fully fund the supplemental benefit
22 provided for in subsection (1), the supplemental benefit for each eligible member or survivor must be
23 reduced by an equal percentage so that the amount contained in the account is not exceeded."

24
25 **Section 37.** Section 25-1-201, MCA, is amended to read:

26 **"25-1-201. Fees of clerk of district court.** (1) The clerk of the district court shall collect the
27 following fees:

28 (a) at the commencement of each action or proceeding, except a petition for dissolution of
29 marriage, from the plaintiff or petitioner, \$80; for filing a complaint in intervention, from the intervenor
30 \$80; for filing a petition for dissolution of marriage, a fee of \$120; and for filing a petition for legal

1 separation, a fee of \$120;

2 (b) from each defendant or respondent, on appearance, \$60;

3 (c) on the entry of judgment, from the prevailing party, \$45;

4 (d) for preparing copies of papers on file in the clerk's office, 50 cents ~~per~~ a page for the first five
5 pages of each file, ~~per~~ for each request, and 25 cents ~~per~~ for each additional page;

6 (e) for each certificate, with seal, \$2;

7 (f) for oath and jurat, with seal, \$1;

8 (g) for search of court records, 50 cents for each year searched, not to exceed a total of \$25;

9 (h) for filing and docketing a transcript of judgment or transcript of the docket from all other courts,
10 the fee for entry of judgment provided for in subsection (1)(c);

11 (i) for issuing an execution or order of sale on a foreclosure of a lien, \$5;

12 (j) for transmission of records or files or transfer of a case to another court, \$5;

13 (k) for filing and entering papers received by transfer from other courts, \$10;

14 (l) for issuing a marriage license, \$30;

15 (m) on the filing of an application for informal, formal, or supervised probate or for the appointment
16 of a personal representative or the filing of a petition for the appointment of a guardian or conservator, from
17 the applicant or petitioner, \$70, which includes the fee for filing a will for probate;

18 (n) on the filing of the items required in 72-4-303 by a domiciliary foreign personal representative
19 of the estate of a nonresident decedent, \$55;

20 (o) for filing a declaration of marriage without solemnization, \$30;

21 (p) for filing a motion for substitution of a judge, \$100.

22 (2) Except as provided in subsections (3) through (8), 32% of all fees collected by the clerk of the
23 district court must be deposited in and credited to the district court fund. If no district court fund exists,
24 that portion of the fees must be deposited in the general fund for district court operations. The remaining
25 portion of the fees must be remitted to the state ~~to be deposited as provided in 19-5-404~~ general fund.

26 (3) In the case of a fee collected for issuing a marriage license or filing a declaration of marriage
27 without solemnization, ~~\$14~~ \$23.60 must be deposited in and credited to the state general fund, and \$6.40
28 must be deposited in and credited to the county general fund, ~~and \$9.60 must be remitted to the state to~~
29 ~~be deposited as provided in 19-5-404~~.

30 (4) Of the fee for filing a petition for dissolution of marriage or legal separation, ~~\$40~~ \$75 must be

1 deposited in the state general fund, ~~\$35 must be remitted to the state to be deposited as provided in~~
2 ~~19-5-404~~, \$5 must be deposited in the children's trust fund account established by 41-3-702, and \$20
3 must be deposited in and credited to the district court fund. If no district court fund exists, the \$20 must
4 be deposited in the general fund for district court operations.

5 (5) (a) Before the percentages contained in subsection (2) are applied and the fees deposited in the
6 district court fund or the county general fund or remitted to the state, the clerk of the district court shall
7 deduct from the following fees the amounts indicated:

8 (i) at the commencement of each action or proceeding and for filing a complaint in intervention as
9 provided in subsection (1)(a), \$35;

10 (ii) from each defendant or respondent, on appearance, as provided in subsection (1)(b), \$25;

11 (iii) on the entry of judgment as provided in subsection (1)(c), \$15; and

12 (iv) from the applicant or petitioner, on the filing of an application for probate or for the appointment
13 of a personal representative or on the filing of a petition for appointment of a guardian or conservator, as
14 provided in subsection (1)(m), \$15.

15 (b) The clerk of the district court shall deposit the money deducted in subsection (5)(a) in the
16 county general fund for district court operations unless the county has a district court fund. If the county
17 has a district court fund, the money must be deposited in that fund.

18 (6) The fee for filing a motion for substitution of a judge as provided in subsection (1)(p) must be
19 remitted to the state ~~to be deposited as provided in 19-5-404~~ general fund.

20 (7) Fees collected under subsections (1)(d) through (1)(i) must be deposited in the district court
21 fund. If no district court fund exists, fees must be deposited in the general fund for district court operations.

22 (8) The clerk of the district court shall remit to the credit of the state general fund \$20 of each fee
23 collected under the provisions of subsections (1)(a) through (1)(c), (1)(m), and (1)(n) to fund a portion of
24 judicial salaries."

25
26 **NEW SECTION. Section 38. Repealer.** Sections 19-3-1601, 19-3-1602, 19-3-1603, 19-7-708,
27 19-7-709, 19-7-710, 19-8-1101, 19-8-1102, and 19-8-1103, MCA, are repealed.

28
29 **NEW SECTION. Section 39. Codification instruction.** (1) [Section 1] is intended to be codified as
30 an integral part of Title 19, chapters 3, 7, and 8, and the provisions of Title 19, chapters 3, 7, and 8, apply

1 to [section 1].

2 (2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 5, and the
3 provisions of Title 19, chapter 5, apply to [section 2].

4 (3) [Section 3] is intended to be codified as an integral part of Title 19, chapters 2, 6, 9, and 13,
5 and the provisions of Title 19, chapters 2, 6, 9, and 13, apply to [section 3].

6 (4) [Section 4] is intended to be codified as an integral part of Title 19, chapter 3, and the
7 provisions of Title 19, chapter 3, apply to [section 4].

8 (5) [SECTION 5] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 19, CHAPTER
9 2, AND THE PROVISIONS OF TITLE 19, CHAPTER 2, APPLY TO [SECTION 5].

10
11 NEW SECTION. **Section 40. Effective date.** [This act] is effective July 1, 1997.

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